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2053-622
WAR DEPARTMENT

[illegible]

December 16-31, 1927.

1. General.
2. Military Operations.
3. Effects of the Fall of Hsuchow.
4. Trends in the Kuomintang.
5. Reaction to the Expulsion of the Russians.

1. General.

RECEIVED G/2 W. D. FEB 8 1928

Since the rendition of the last "Comment" Hsuchow, junction point of the Lung-Hai and Tsin-Pu railways has at last fallen into Nationalist hands, though not into those of Feng Yu-hsiang. This has resulted in the growth of Feng's influence at Nanking and in a diminution of Yen Hsi-shan's ardor for war with the Anhweichun. The period has also seen a tendency on the part of the militarists who adhere to the Kuomintang to draw more sharply the lines between the followers of Chiang Kai-shek and the adherents of the Kwangsi militarists. Both sides have registered gains in the process. Chiang can now see his way clear to the military chieftainship of the Kuomintang though the office will be titular only and his power initially limited, while the Kwangsi men have made considerable strides toward territorial consolidation and have reasserted their control over Canton. It would appear that another broad cleavage is imminent in the ranks of the Kuomintang, but any outbreak of actual hostilities between the two factions in the near future would seem improbable.

2. Military Operations.

Once again serious fighting has been confined to the North. Immediately after the repulse of Feng Yu-hsiang to the west of Hsuchow, the Nanking armies advanced upon the same point from the South. Sun Ch'uan-fang's withdrawal from the vicinity of Kuchen, when he had marched to the help of Chang Tsung-ch'ang, had removed the last organized military units in this

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army for Hsuchow itself was in a welter of confusion as the result of the withdrawal therefrom of three armies (Chang Tsung-ch'ang's, Chu Yu-p'u's and Sun Ch'uan-fang's) from two directions. No effective opposition could be offered the Southerners, and the town was occupied by them on December 16th, after one day's fighting. The Nationalists announce their losses in this operation to have been about 2000 men, which is probably excessive. The evacuation of Hsuchow by the Northerners seems to have been effected without any considerable damage either as to personnel or materiel.

The capture of Hsuchow enforced on the Northerners the abandonment of all points on the Lung-Hai railway, including Haichow, which was evacuated apparently on the 19th without fighting. Only slight forces are opposed to a Nationalist advance in East Shantung all the way to the Kiaochow-Tsinan railway; but in view of the obstacles presented to a winter campaign with poor communications in this area they would seem to be adequate for the time being. On the Tsin-Pu front the Chihli-Shantung line has been established at Hanchwang (where the railway crosses the Grand Canal), whence it runs west to the Grand Canal. It is obviously planned to hold the line of the canal itself all the way from Tsining to Techow.

While the Hanchwang position has been thoroughly respected by the Nationalists, the Tsining area has been the scene of heavy pressure by Feng Yu-hsiang. Feng's offensive was launched from the vicinity of Tsaochow on about the 20th, and was pushed almost up to the walls of Tsining by the 23rd. Here the Chihli-Shantung forces held. Their intrinsic weakness was counter-balanced by Feng's munitions shortage, and by the 27th the Kuominchun had fallen back again on the general vicinity of Tsaochow.

In the northern theatre the war has languished. Feng Yu-hsiang is reported as pushing considerable units up the Kin-Han railway to the vicinity of Weihwei, which has been countered by a Fengtien concentration

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between Changte and Shuntoh, but to date there have been no active hostilities in this area. On the Shansi frontier both armies seem to have gone into winter quarters, with Fengtien probably withdrawing to the entrance passes of the mountain barrier. Chochow still holds out although serious negotiations for its surrender are now in progress.

In Canton the forces of Chang Fa-kwei and Huang Chi-hsiang, physically shaken and morally undermined by the Communist uprising of the 11th, were unable to withstand their Kwangsi adversaries. After sporadic fighting around Samshui the forces of Huang Shao-hsiung, Kwangsi subordinate of Li Chi-shen, reoccupied the city of Canton on the 29th.

In central China the operations around Yochow and Pingkiang in Hunan between Cheng Chien and the successors of T'ang Sheng-chih wait on political events. Meanwhile Pai Ch'ung-hsi, ousted from Shanghai, is moving his 13th army to Wuhan.

3. Effects of the Fall of Hsuchow.

The prime material effect of the capture of Hsuchow has been the establishment of practicable contact between the Kuominchun and the Nationalist armies in Kiangsu. It was followed by the prompt reiteration of Feng Yu-hsiang's allegiance to the Nanking Government and inferentially to Chiang Kai-shek. All the foregoing has tended to the increase of the stature of Feng in the councils of the Kuomintang. C. C. Wu and Sun Fo are in process of elimination from the Nationalist Government, and while it is understood that the portfolio of finance is reserved for T. V. Soong, now Chiang Kai-shek's brother-in-law, it is believed that the new minister of foreign affairs will be either C. T. Wang or Huang Fu, adherents of Feng. At the same time it is apparent that the Hsuchow victory would have brought more to Feng if it had been achieved by himself during his early December drive. The occupation of Hsuchow by the Nanking troops cuts him off from Haichow where

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he could have imported munitions from abroad, possibly from Russia, while the present financial straits of the Nationalists do not assure him of supplies of war materials through their hands.

Another interesting development of this situation is the arrival in Peking of peace delegates from Yen Hsi-shan. These gentlemen, Messrs. Wu Shen-chih and Kuo Hsiu-teh, came to the capital on about December 28th, and must have started out upon the heels of the fall of Hsuchow. While Fengtien-Shansi peace negotiations will undoubtedly be difficult, and their outcome is impossible of prediction, the inference is inescapable that Yen Hsi-shan is taking steps to redress the balance that might be affected by the sudden growth in importance of Feng Yu-hsiang. Once again the thesis is demonstrated that all over China at the present time personality, not principle, is the moter force in politics.

4. Trends in the Kuomintang.

In Shanghai the political situation continues kaleidescopic, but its major trend is becoming clear. Pai Ch'ung-hsi, Kwangsi militarist and chief local opponent of Chiang Kai-shek, has been eliminated as Shanghai Defense Commissioner, and is leading his personal troops, the 13th Army, to the new Kwangsi stronghold at Wuhan. The gradual sapping of Pai's power has been going on for a matter of two months, but the actual means used for its accomplishment are still obscure. The departure of Pai eliminates all immediate local opposition to the reinstatement of Chiang Kai-shek to the post if not the reality of commander-in-chief of the Kuomintang armies, and it now becomes likely that the much-delayed plenary session of the Central Executive Committee of the Kuomintang will take place at Nanking on or about January 5th, with Chiang and his associates in control of the political machinery of the meeting. Their actual power, however, will not be tremendous. Thanks to the communist flare-up in Canton, Wang Ching-wei is out of the

picture for the time being. He is definitely, though not conclusively, even reported to be en route for France at the present time. While his withdrawal simplifies Chiang Kai-shek's problems momentarily, there is also eliminated thereby the hope of bringing Canton under the latter's control in the near future. Chiang's actual territory is thus limited to the provinces of Chekiang, Kiangsu and Fukien, and in this area stands Ho Ying-ch'in as the largest individual military man and one who will not willingly consent to the aggrandizement of Chiang at his own expense.

More threatening still is the crystallization of southern opposition to Chiang Kai-shek into a definite bloc, under the aegis of the Kwangsi militarists. Li Tsung-jen and Pai Ch'ung-hsi are safely ensconced at Wuhan, Li Ch'i-shen has reasserted his control of Canton and the major portion of Kwangtung. Indications are strong that they are endeavoring to link hands by an alliance with the Hunanese custodians of T'ang Sheng-chih's power. To achieve this end it may become necessary to sacrifice Cheng Chien of Nanking infamy who is waging war against Hunan, nominally on their behalf; but Cheng in his present isolation does not seem to present much of a problem to them. A Kwangsi bloc thus constituted strong in numbers and resources and far less war weary than the Easterners should be in a position to defy successfully any efforts from Nanking to bend them to its will.

The foregoing should not be taken to imply that hostilities between East and West are imminent South of the Yangtze. The Kwangsi men are and doubtless will continue to be outwardly loyal to the Nanking Government, which is heir to the few remaining shreds of the old Kuomintang succession. The struggle between East and West should be a negative one, full of tacit disobediences, equivocations and insincerities. None the less unity of action, external or internal, is not in sight for the Kuomintang. The directive force furnished by the Russians during their control of the Party has not been reconstituted.

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2. Reaction to the Execution of the Russians.

The Nationalists have persevered in their measures against Soviet agencies. The Shanghai deportations have been carried out as planned, Germany taking charge of Soviet interests for the time. On December 16th a general raid was carried out against the U.S.S.R. institutions in Hankow, and the Soviet representatives there have also since been deported, as have the red Russian survivers of the Canton coup. An immediate aftermath of the deportations has been a noticeable slackening in the violence attending the perennial labor troubles in Shanghai.

The Russian official response has been a typical tirade from Chicherin, protesting to the world at large against the English inspired "illegality" of the measures of a government which he takes pains to point out has never been recognized by the U.S.S.R. What new point of attack the Russians will next adopt is not as yet clear, but cognizance should be taken of the ease with which Red elements should be able to operate under cover of the large Russian population in Shanghai.

In the north the Ankuochun authorities have taken no steps toward disturbing the Soviet representatives. It is believed that Chang Tso-lin personally would be pleased to clean out the Soviet agencies in his territory. He is deterred, however, not by the fear of any force that the Russians might exert, but rather that the Japanese should seize the pretext of even a shadowy threat from Moscow to increase their own garrisons and strengthen their grip in Manchuria. Thus estopped from positive action, it is quite possible that the Ankuochun, as Chinese realists, may endeavor to capitalize their inertia, and that an actual easing of their relations with Russia may ensue.

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WAR DEPARTMENT

COMMENT ON CURRENT EVENTS

January 1-15, 1928.

RECEIVED G/2 W. D. FEB 20 1928

1. General.
2. Chiang Kai-shek Resumes Office.
3. The Hunan-Hupeh Situation.
4. The Kuominchun.
5. Fengtien-Shansi Tension Slackens.
6. 1927 Customs Returns.

1. General.

The setting in of winter weather in North China, coupled with the occurrence of the Chinese New Year within three weeks of new year by the solar calendar, has served to damp down political and military activity throughout the country during the first half of January. In Shanghai and Nanking, however, the dialecticians of the Kuomintang continue to talk and to revise and re-revise their actions, the net result being the resumption of the titular and nominal commandership-in-chief of the Party's armies by Chiang Kai-shek and another failure to achieve the convening of the Fourth Plenary Session of the Kuomintang Central Executive Committee. In Hunan the Kwangsi group has not been able to win over the local militarists, and in consequence they have renewed their relations with Cheng Ch'ien, who is now advancing on their behalf against the successors of T'ang Sheng-chih. In the North Chochow has finally capitulated, and peace talk between Fengtien and Shansi is growing in volume and importance.

2. Chiang Kai-shek Resumes Office.

On January 5th Chiang Kai-shek proceeded from Shanghai to Nanking and on the 6th issued a circular despatch announcing his resumption of the post of commander-in-chief of the Kuomintang armies. This action has been received by the Kwangsi group of militarists with a most significant silence, and evidence is accumulating that his control over his immediate associates is far from absolute.

From M/A, China Report No. 7197 January 17, 1928

Prior to and immediately following his resumption of office Chiang's chief anxiety has been to legalize his action and enhance his power by convening and controlling the long-delayed fourth plenary session of the Kuomintang Central Executive Committee. From the mist of intrigue that exists in Shanghai there are now visible two definite maneuvres. In an effort to conciliate the sympathisers of the Kwangsi group no replacement has been made of Pai Ch'ung-hsi in the post of Shanghai Defense Commissioner. Furthermore certain "pinks" of the Cantonese clique who had previously been aspersed with fellowship with Wang Ching-wei and Chang Fa-kuei were readmitted to the orthodox fold. It was confidently announced that a quorum had been secured for the Plenary Session, but when the meeting was actually called on January 13th once again no quorum had been secured. Indications would seem to point to defections on the part of the Right Wing, indignant at Chiang's "pink" trend, as the cause. The session is now reported as unlikely to occur until after Chinese New Year. The fact that Chiang feels the need of legitimization so strongly is a telling symptom of his intrinsic weakness; while the failure of his intrigues reflects no credit on his political competence. His initial mistakes of November and December when he approached Wang Ching-wei, continue to dog him, and the "Commander-in-chief" is actually in shaky control of only the two provinces of Kiangsu and Chekiang.

3. <u>The Hunan-Hupeh Situation</u>.

Li Ch'i-shen having secured his control of Canton, the efforts of the Kwangsi group, headed by Li, Li Tsung-jen and Pai Ch'ung-hsi, are still directed toward a consolidation of power and territory by opening up the corridor of the Hsiang river that traverses Hunan from Kwangtung to Hupeh. The negotiations between the Kwangsi men and the heirs of

T'ang Sheng-chih, namely Ho Chien, Liu Hsing and Li P'in-hsien, have apparently broken down, allegedly because of a subsidy of $500,000 to the Hunanese from Chiang Kai-shek. In consequence Cheng Chien, who is held responsible for the Nanking outrage, is automatically back in the Kwangsi fold and hostilities are in progress between him and the Hunan group. The situation in this region is most obscure, but apparently the war is not progressing in his favor, as the Hunanese are once more reported in possession of Yochow. Incidentally T'ang Sheng-chih is said to be returning personally to resume command of his former armies in Hunan.

The situation is further complicated by the presence of Yang Sen around Ichang. The degree of his participation in the current struggle is most uncertain, and while the last reports indicated that he was aligned against the Kwangsi group, his definite affiliation with either side is still likely.

4/ The Kuominchun.

Feng Yu-hsiang continues his concentration in northern Honan, but as yet has undertaken no serious military operations. The presence of Soviet advisers with his armies has been reported from a number of sources. On about January 10th Feng issued a lengthy statement once again blaming China's ills on the "Imperialistic policies of the Powers toward China", a true echo of the manifestoes published by the Nationalist leaders in 1926 when under Russian domination. From the foregoing it would appear that Feng's relations with Moscow continue, and that he may be expected to be the principal agency of Russian activity in North China.

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5. Fengtien-Shansi Tension Slackens.

In the North the outstanding military event has been the final capitulation on January 11th of the Shansi garrison which had held the city of Chochow since October 11, 1927. The Shansi forces are now reported as numbering 7,000 men, though previous reports never put their strength higher than 4,000. The surrender came as the result of prolonged negotiations, and the terms included the issuing of new winter clothes to the garrison, together with three months' pay. It was further stipulated that the Shansi soldiers were to have their arms restored to them and were to be incorporated in the Fengtien army as a unit, but it is still uncertain whether these conditions will be carried out. The operations around Chochow have exercised no major influence on the Fengtien-Shansi war. The eruption of Shansi troops, of which the Chochow garrison formed a part, into the Fengtien rear areas, was three days too late to have any effect on the main actions fought around Paotingfu in the South and Huailai in the West. The siege of the town immobilized a large body of Fengtien troops, but at no time during the war have the Mukden armies suffered from lack of men. The surrender of the town occurs during a general lull in the conflict. The only lessons to be learned from the siege are the negative ones that at this time the best equipped Chinese troops are still unable to execute anything approaching an artillery concentration, and that Chinese walled towns still are physically impregnable to Chinese attack.

The generous terms accorded at Chochow and the distinction with which Gen. Fu Tso-i, commander of the defending troops, has been treated serve to emphasize the high plane on which the Fengtien-Shansi war has been kept. There have been no revilings exchanged between the leaders concerned; on the occasion when Yen Hsi-shan protested to Chang

Tso-lin under the apprehension that the Fengtien troops were using gas at Chochow, both he in his protest and Chang in his disavowal were careful to use the politest forms, and each addressed the other by all his titles and distinctions. The current war has been totally devoid of animus, so far as the rival leaders are concerned. Now with hostilities slackened away over the cold season and the holidays, peace talk between the two sides is steadily on the increase. Fengtien has absolutely nothing to gain from hostilities against Shansi, while in Shansi itself the movement of Feng Yu-hsiang to the West is looked upon with suspicion, and the strain of the war has strengthened the hands of the conservative faction in the province who yearn from their former isolation. It is understood that the Fengtien peace stipulations are confined to the confirmation of their possession of the Kin-Sui railroad and at least a nominal alliance on the part of Yen against Feng Yu-hsiang. Yen is said to demand autonomy, freedom from invasion and respect for his allegiance to the Kuomintang and to the nationalist cause. On their faces there is little conflict between the two sets of proposals, but there must also be taken into consideration the necessity of dispelling the distrust that actuates all Chinese factions. The exact degree of Yen's allegiance to Nanking is unknown, but aside from his personal rectitude of character, his motives for continuing that allegiance must be fairly strong at a time when numerous armed conflicts are in progress between leaders who are all nominally loyal to the Kuomintang. It would appear that the realization of Fengtien-Shansi peace negotiations would depend in large measure on the degree of suspicion with which the Shansi rulers look on the progress of Feng Yu-hsiang.

6. 1927 Customs Returns.

On January 1st Mr. A. H. F. Edwardes, Acting Inspector General of Customs, announced that the Chinese Customs returns fro 1927 amounted

to 68,687,000 taels, a decrease of 9,435,000 taels from 1926, or approximately 14%. While the receipts were amply sufficient to care for all foreign obligations, including the various indemnities, only interest could be paid on the domestic loans secured on the consolidated loan service. The chief significance of this statement, however, is as a direct barometer of China's foreign trade. For the first time since 1917 there is recorded a decrease in China's foreign commerce; even the turbulent years of 1925 and 1926 were able to finish on the credit side of the ledger. The reason for this decrease in trade is obvious: the centers of civil strife have extended to the Yangtze basin, where the bulk of China's foreign trade originates. This area is still in turmoil, and it is only reasonable to suppose that 1928 will show similar results. It is believed that continued trade depression of this character must have the result that those nations who have most at stake, notably Great Britain and Japan, will inevitably scrutinize more closely the means they may have for restoring peace and order in China.

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CURRENT COMMENT ON CURRENT EVENTS

January 16-31, 1928

1. General.
2. The Kwangsi Group Victorious in Hunan.
3. Chiang Kai-shek Dwindles.
4. Events in the North.
5. The "Big Sword" Society in Manchuria.
6. Effort to Create a Synthetic China for Negotiation with America.

2055-76

1. General.

RECEIVED G/2 W. D. MAR 5 1928

Facing winter weather and the Chinese New Year, events have moved slowly during the latter part of January. Active hostilities have been confined to Hunan, where the Kwangsi generals have captured Changsha and are now faced with the problem of the consolidation of their power in the Hsiang river corridor. At Nanking the star of Chiang Kai-shek continues to diminish in brilliance. In the north there is evidence that the Fengtien party is seeking to take advantage of its breathing space to set on foot a certain amount of order in its military and civil administration. The importance of this step is only equalled by the obvious necessity behind it. As events of secondary interest, mention may be made of a fairly widespread popular outbreak in Manchuria by the "Big Sword" society and the failure of one more effort to evolve a body that could represent China generally in treaty negotiations with America.

2. The Kwangsi Group Victorious in Hunan.

The only serious fighting over the China New Year took place in Hunan. Here the armies of the Kwangsi militarists and Cheng Chien engaged the troops of Ho Chien, Liu Hsing and Li Pin-hsien around Pingkiang. After four days' combat, January 21-24, the Kwangsi militarists were definitely victorious and Changsha was occupied by them without opposition on the 25th.

The Kwangsi victory achieves the first step in their plan for the opening of communication between Kwangtung and the Yangtze. Having ousted the hostile occupants of the Hsiang river corridor, they are now faced with the problem of finding a loyal warden of this important march. The chief pretender to this post is Cheng Chien, the protagonist of the Nanking outrages, who is himself a Hunanese and whose troops have been seriously engaged in the recent fighting. It is fairly obvious that once installed in Changsha, Cheng would lose all interest in extra-Hunanese affairs, and accordingly the next problem of the Kwangsi generals would seem to be either to control or forestall him. In this operation they are favored by the fact that they seem to be the only cohesive group in South China, and their own initiative is in decided contrast to the inertia of their neighbors.

3. Chiang Kai-shek Dwindles.

The victory of the Kwangsi militarists has had important negative consequences. Chiang Kai-shek, who had backed the defeated Hunanese financially, cannot escape involvement in their disaster. The Kwangsi men make no bones of the matter and speak openly of their past and future struggles with Chiang. In consequence Chiang has had to trim his course again, and is driven by force of circumstances into closer alliance with that other ill-starred militarist, Chang Fa-kuei. This in turn means that Chiang has been forced to accelerate his progress to the Left. This is particularly unpropitious at a time when conservatism tends to become more and more the avowed guiding principle of up-to-date militarists.

Chiang's misfortunes do not end here. In his efforts to conciliate the Right wing of the Kuomintang, he has been forced to pass over his scheme for consolidating his hold on Shanghai. Pai Ch'ung-hsi having resigned the Defense Commissionership of that port, it has finally been turned over to Hsiung Shih-wu, one of Pai's followers, instead of to Chiang's nominee. Thus the most valuable portion of

Chiang's enclave is still in Kwangsi hands. Furthermore, even this gesture of conciliation, coupled with a manifesto denouncing communism and calling for treaty revision by negotiation, have not attained their ends completely. On January 25th Messrs. Hu Han-min, Sun Fo and C.C. Wu left Shanghai on a tour of the world, thereby implying their complete disassociation from the Nanking regime. The last two statesmen are only to be regarded in the light of political lame ducks, but the departure of Hu Han-min indicates the alienation of the really conservative element of the Kuomintang from the Nanking government as at present constituted.

Chiang Kai-shek meanwhile either can not or dare not seize complete and firm control of the Kuomintang political machine. He continues the quest of legalization at the hands of a Plenary Session, oblivious to thefact that in China legalization is generally the portion of the defeated. The Fourth Plenary Session of the Central Executive Committee of the Kuomintang is now announced for February 1st, but its actual convention is still a matter of doubt.

4. Events in the North.

Nothing concrete has eventuated from the peace negotiations with Shansi, and Chinese New Year and winter have combined to call a halt to military operations in North China. The Fengtien-Shansi battle-fronts have remained quiet. In southern Chihli, northern Honan and western Shantung the Kuominchun has been pushing out steadily, taking up the slack that customarily exists between Chinese armies, obviously with a view to hostilities in the near future. Elements of the Kuominchun have been reported as far north as Hantan on the Kin-Han railway, while to the east they are around Taming, whence they can pivot east or noth at will. These moves of Feng Yu-hsiang's are causing grave concern in Shantung, where the troops of Chang Tsung-ch'ang are undergoing

one of their periods of more than usual demoralization. The defense of Shantung from the Nanking armies has been assigned to Sun Ch'uan-fang, while Chihli-Shantung concentrations of doubtful military value have been made against Feng on the Tsin-pu railway in the vicinity of Tehchow. Meanwhile Fengtien troops are steadily moving down the Kin-Han line to counter the menace of the Kuominchun, and in a normal military situation should be adequate to control any thrust by Feng to east or north.

On January 24th and 25th there was summoned at Peking a full dress conference of the Ankuochun leaders. Presided over by the Generalissimo, Chang Tso-lin, those attending included Chang Hsueh-liang, Yang Yu-ting, Chang Tso-hsiang, Pan Fu, Sun Ch'uan-fang, Chang Tsung-ch'ang and Ch'u Yu-pu. Prior to the conference it was widely rumored that the chief subject for ventilation would be the Chihli-Shantung problem, where Sun Ch'uan-fang hangs on as a Tupan without territory, and where the extortion, extravagance and administrative inefficiency of Ch'u Yu-pu and Chang Tsung-ch'ang are so notorious as to arouse the disapprobation of even Chinese officialdom. Added to this is the ambition of Chang Hsueh-liang to acquire a province, preferably Chihli. It is reported that this question was approached at the conference on the basis of converting Chang Tsung-ch'ang, Sun and Ch'u into purely military leaders, turning the financial and territorial administration of the two provinces over to civilians, and guaranteeing the fighting men a fixed monthly subsidy for the payment of their troops. The territorial ambitions of Chang Hsueh-liang and Sun were left discreetly in the background. The question was finally shelved on the grounds that the amounts required by the militarists were not available at present. The meeting adjourned with only one concrete accomplishment on record: the appointment of Yang Yu-t'ing as commander of the 3rd-4th Army Group (the true Fengtien Army) in conjunction with Chang Hsueh-liang and in succession to Han Lin-ch'un, now seriously ill with apoplexy. Yang is reported as

charged with the special mission of creating a measure of administrative efficiency in the Fengtien armies.

While the conference is superficially sterile in results, it is believed that certain aspects of it possess far reaching significance. The mere fact that the shortcomings of Chang Tsung-ch'ang and Ch'u Yu-p'u are up for discussion indicates that there is slowly and belatedly being forced upon the Fengtien party the necessity for governmental administration within the Wall, rather than purely military occupation. If they are to seek permanency of tenure in China Proper, if their ambitions for a measure of control of the whole country are to be prosecuted, it is essential that they should take root in their conquered provinces. Whether or not they can do so is still a moot question, but there is no denying the fact that to date they have given little evidence of trying to do so.

Yang Yu-t'ing's new post is also of great importance. For the first time since he has been acknowledged as the moderating intellect of the Fengtien party, he has been able to surmount the envy and jealousy of his colleagues and to obtain a substantive military command. His doing so is probably a tactical victory over the Manchurian die-hards and represents a quid-pro-quo for a slackening in the attack on Chang Tsung-ch'ang and Ch'u Yu-p'u. In his new capacity Yang will be able to back up his counsels of moderate liberalism much more strongly than in the past. Furthermore his formal association and nominal subordination to Chang Hsueh-liang will tend to ally him more closely to the Chang family rather than to the Generalissimo alone, and will probably help to consolidate the succession of Chang Tso-lin.

5. <u>The "Big Sword" Society in Manchuria.</u>

Reports are beginning to come in of widespread, though not excessively violent local unrest in Manchuria, fostered in the name of the "Big Sword" society. This organization is a typical Chinese self-defense association, such as the "RED Spears", "Yellow Spears",

"Heavenly Gate Society", etc., and is dedicated to protection of local communities against bandits and oppressive taxation. Its growth has undoubtedly been fostered by enemy -- i.e. Shansi, Kuominchun or Russian Communist -- agents, and by the denudation of the Manchurian garrisons during the current hostilities. The society is reported as having between ten and twenty thousand adherents, with its main strength in the districts of Linkiang, Tunghua, Fusung and Tsian, all in southern and southeastern Manchuria. The society is also reported as having been established in such widely separated centers as the Chientao district of Kirin province and in the vicinity of Manchuli in Heilungkiang.

The events that have recently brought the society into prominence have centered around the towns of Tunghua and Linkiang, near the Yalu river. Ever since January 3rd the "Big Swords" have been active militarily in this region, have entered Tunghua twice and Linkiang once, and have carried out a general destruction of telegraphic and telephonic communications. The situation finally became so serious as to demand the recall of two regiments of Heilungkiang troops from the railway garrison outside the Wall, and the personal presence of General Wu Chun-Sheng, Tupan of Heilungkiang and Commander of the Fengtien Zone of the Rear. The militant activities of the society were apparently under control by January 23rd.

In addition to the disturbances they have caused in the Fengtien rear areas, and to the latent possibilities of further civil strife contained in the "Big Swords", there obviously exists the chance of their being inflamed against the large Korean population of the Yalu valley. For this reason the recent uprising has been closely followed by the Japanese authorities across the Korean border, although to date no anti-foreign activities have been reported. It is this aspect of the society that would seem most to justify anxiety on the part of both Chinese and Japanese officials.

6. Effort to Create a Synthetic China for Negotiation with America.

On January 18th an inspired report was published to the effect that Dr. Alfred Sze, Chinese Minister at Washington, had been instructed by the Peking Government to negotiate with the American Government for the revision of the Sino-American treaties, presumably in conjunction with representatives of the Nanking Nationalist government. This is probably the reaction in Peking to the activities of Mr. Frank Lee, who has been in Washington on behalf of the Nationalist government with this end in view. Thus there was revived once again the frequently mooted plan for the establishment of an organization representing all the responsible Chinese governmental agencies that would be given plenipotentiary powers to negotiate for the revision of the so-called "unequal treaties". The collapse of the current project occurred with more than usual promptitude. Kuo Tai-chi, acting Minister of Foreign Affairs at Nanking, disavowed his agent on January 21, stating that: "The Nationalist government is definitely opposed to any idea of cooperation with Peking".

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1st Ind.

Office of the Military Attache, American Legation, Peking, China - February 1, 1928 - To: A. C. of S., G-2, Washington, D. C.

Forwarded, concurring in all facts and opinions.

John Magruder
Major, General Staff
Military Attache

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1928 2055-622

WAR DEPARTMENT

CONSENT ON CURRENT EVENTS

February 1-15, 1928

RECEIVED G/2 W. D. MAR 19 1928

1. General.
2. War Weariness Among the Militarists.
3. Efforts of the Foreign-Staffed Chinese Governmental Services to Consolidate their Positions.
4. The Plenary Session of the Kuomintang Central Executive Committee.
5. Chiang Kai-shek goes to Chengchow.
6. Sun Chuan-fang's Stature Increases.
7. The Military Situation.

1. General.

During the period under discussion events have tended to be negative. The only concrete accomplishment to be recorded is the holding of the Fourth Plenary Session of the Central Executive Committee of the Kuomintang on February 2nd-6th. What has occurred in Central China during the past fortnight is inextricably bound up with this conference, namely the activities of Chiang Kai-shek and various efforts to put the Customs, Posts and Salt Gabelle on a rational basis. But larger than the conference and probably as one of the major reasons for the conference's consummation stands the unwillingness of the various militarists throughout China, North and South, to go to war. This interesting, if transient phenomenon deserves first place in any consideration of current events in China.

2. War Weariness Among the Militarists.

The beginning of February marked the completion of the Chinese New Year season, while throughout the various theatres of operations, with the exception of the Shansi mountains, the weather had moderated sufficiently to permit of active campaigning. Contrary to what would naturally be expected, however, all factions showed a general disinclination to initiate large scale hostilities. The under current of the peace negotiations that go on permanently between warring factions has suddenly

increased in volume. At the present time there are acknowledged pourparlers in progress between Shansi and C hang Tsung-ch'ang, between Shansi and Peking, and between C hiang Kai-shek and Sun Ch'uan-fang. Chiang Kai-shek's visit to Chengchow, which will be treated at greater length hereafter, may also be included in this category. Collaterally the three foreign-controlled governmental agencies, Customs, Posts and Salt Gabelle, are all involved in discussions looking toward the national unification and consolidation of these services by means of identical working agreements with the Peking and Nanking governments. There must be noted the effort, only recently failed, of C. C. Wu to arrive at united external diplomacy for China, without regard for sectional differences. Finally, on the heels of the legalization of the Nanking government, T. V. Soong is earnestly pursuing a scheme for unification of Nationalist finances, without reference to the internal dissensions of the Kuomintang. All the foregoing gives rise to a factitious appearance of understanding and mutual tolerance throughout political China.

Upon examination of the facts, however, there seems little ground for optimism. The people of China are undoubtedly war weary, but this weariness is a matter of long standing and is inherently ineffective. It is the war weariness of the militarists that is being manifested at present. The causes of this unwillingness to undertake campaigns are varied, but the dominating element is that of mutual fear. Practically all the military leaders see their forces diminishing absolutely in effectiveness and are naturally loth to risk issues with their rivals. Mild panics among the commanders are continually reported from Peking, Tsinanfu, Taiyuanfu, Shanghai, Chengchow and Nanking. In addition to the above, the liquidation of the Russian-directed Northern expedition has at last attained a certain degree of regional stability. South of the Yellow River the various provincial territories have been roughly divided, and the competition for posts is of local rather than

of country-wide significance. Finally the men now in the saddle in the South have evolved into precisely the same class that controls the North. Revolutionaries have either outgrown their first ardor or have been succeeded by practical practising militarists, whose first interest is their individual stability and wealth. They see neither profit nor necessity for engaging in adventures beyond their own sphere, and their administrations are characterized by crude efforts to develop trade and guarantee economic rehabilitation rather than by policies of destruction in accordance with Russian revolutionary tenets. It is obvious that this state of affairs is fundamentally unstable. However weak the various militarists have become absolutely, relatively the ratios of their strengths are unchanged. Hence the urge to assume the initiative and to expand spheres of power is bound to recur. Furthermore the various local situations - Chiang Kai-shek around the mouth of the Yangtze, the recently dispossessed occupants of Changsha in Hunan, the army of Chang Fa-kuei in Kwangsi, Yang Sen in Eastern Szechuan, some of Feng Yu-hsiang's malcontents in Honan - all these sensitive areas are bound shortly to breed new local alignments and to ensure the continuance of endemic civil war. Real and lasting peace and order, substantial unity of purpose or administration are no more to be expected in China in the near future than at any time in the immediate past.

3. <u>Efforts of the Foreign-Staffed Chinese Governmental Services to Consolidate their Positions</u>.

As referred to above, those Chinese governmental agencies that are established in accordance with international agreement and the supervision of which is invested in foreign personnel, namely the Customs, Posts and Salt Gabelle, have all taken advantage of the nominal reunification of the Nationalist Government (see below), in an endeavor to consolidate their respective positions. These efforts have been attended with varying results. On February 1st, Mr. A. H. F. Edwardes, Acting

Inspector General of Customs, left Peking en route for Shanghai, where he arrived on the fourth. It is understood that Mr. Edwardes desired to secure the agreement of both the Ankuochun and so-called Nationalist governments to a broad and reasonable scheme for the establishment of the Customs on a permanent basis. This scheme is said to call for the convening of a representative north-and-south delegation to deal with the Powers for the realization of the interim tariff conference proposals, namely that China should be authorized to levy a 12 1/2% tariff pending the granting of full tariff autonomy. The attraction offered to the various factions was that the customs surplus arising from this tariff increase, after debt service items had been deducted, should be pro-rated among the militarists in proportion to the receipts in their individual territories. Unfortunately this scheme has come to grief on two counts. In the first place, Mr. Edwarde's suggestion has been involved in his own tenure of office (Sir Francis Aglen's term as Inspector General expired January 31), and has apparently collided with an intrigue to secure power and perhaps the Inspector Generalship of South Chinese Customs for Mr. Maze, Commissioner of Customs at Shanghai and senior official in the service. Furthermore Mr. Edwarde's trip south was blandly greeted by all factions as the first step toward recognized and already conceded tariff autonomy. This drew an indignant dementi from the Japanese, and it would appear that to date the whole scheme has collapsed.

The Salt Gabelle, unostentatiously represented in the South by Mr. Meade has apparently obtained more concrete results. It is reported that the various factions are agreed to permit a proportion of the revenues, said to be thirty per cent, to be devoted to the service of foreign loans, although to date no such agreement is clearly shown to be implemented, nor is there any assurance that it will be observed hereafter.

The work of the postal representatives has been even more shrouded in mystery, but indications point to successful negotiations here. The situation of the Posts is eased by the fact that there is no postal surplus to exploit, and all the militarists are anxious to avoid the charge of hampering an international agency such as the postal union and of becoming responsible for the abolition of one of the few remaining bits of evidence to China's national integrity.

The very fact that negotiations have been initiated on all three of the above counts is encouraging as showing that the Chinese militarists, most of whom are seasoned administrators by now, are beginning to realize that a policy of penny wise is pound foolish, and that the profits to be derived from orderly and reasoned financial policy far exceed the results of day to day levies and seizures. Once again the fact must be reiterated that this is the result of realism and not of any idealistic regard for abstract justice or the public welfare.

4. <u>The Plenary Session of the Kuomintang Central Executive Committee</u>.

On February 2nd the long delayed Fourth Plenary Session of the Central Executive Committee of the Kuomintang was finally convened at Nanking. It adjourned on the 6th after three sessions. The first action of the committee was the consolidation of its position and legality by the alternate elimination of eight members (six of them Cantonese and presumably supporters of Chiang Kai-shek) and the election of ten new members, including Ho Ying-ch'in and Chen Shu-jen. Thus sure of its ground, the following amended organization was agreed on:

a. The Executive Committee as newly formed was confirmed in office.

b. The standing committee (formerly presidium) of the C. E. C. was constituted as follows: T'an Yen-k'ai, Chiang Kai-shek, Tai Chi-tao, Ting Wei-feng, Yu Yu-jen, and four others described as "visiting abroad".

c. A Nationalist Government Committee of 49 was appointed.

d. The standing committee (formerly presidium) of the Nationalist Government was constituted as follows: T'an Yen-k'ai

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(chairman), Tsai Yuan-pei, Chang Jen-chieh, Li Lien-cmun and Yu Yu-jen.

e. Under the Government the following appointments were made:

(1) Military Committee of 73 members with Chiang Kai-shek chairman, and including all the Kuomintang militarists.

(2) Hsueh Tu-pi, minister of the Home Department.

(3) Huang Fu, minister of Foreign Affairs.

(4) T. V. Soong, minister of Finance.

(5) Wang Pai-chen, minister of Communications.

(6) Wang Ch'ung-hwei, minister of Justice.

(7) The ministries of Agriculture and Mining, of Industry and C ommerce were abolished, and put under the Bureau of Construction, presumably under Sun Fo (absent).

(8) The following additional governmental agencies were constituted: bureaux of censors, civil examination, university, legislation, supreme court of justice; audit board; committees of construction, Tibetan and Mongolian affairs, and overseas.

It will be noted that none of these measures appreciably changes the existing Kuomintang governmental and party organization.

Upon its conclusion the Committee issued a manifesto involving the following: Government Reform, Educational Reconstruction, Improvement of the Livelihood of the People, Completion of the Expedition against the North, a Plea for Conformity and Party Discipline. This manifesto is to be regarded as unimportant, except for the relatively slight emphasis on the Anti-North Expedition.

The collateral decisions of the Committee contained matters of much greater importance. The least significant of these were the calling of the Kuomintang congress for August 1, 1928 and the opening of all decisions of the erstwhile Wuhan and Nanking "governments" to examination by a committee appointed to test them for a "bolshevik or communist flavor". The real struggle in the meeting centered around C hiang Kai-shek and ended in his defeat. When the dust of battle had cleared, the party machinery was seen to be firmly consolidated in the hands of T'an Yen-k'ai and his associates. Whoever may control China, and no matter

how large the number of de facto rulers there may be, the Kuomintang, to which all Southern Militarists must at least accord formal submission, is in the hands of the civilians. Furthermore the Committee to achieve a quorum has been forced to agree to what amounts to local autonomy for the four great sections of the Kuomintang, Kwangtung, the mouth of the Yangtze, the western Yangtze Basin and the Yellow River districts. In other words, to achieve legality it has surrendered power. It is a united but ineffective group of doctrinaires, and C hiang Kai-shek, who hoped to obtain so much from the institution and completion of the session is relegated to the position of leader of one of the four autonomous military groups that nominally work under the direction of the party and its government. He has lost control of the Party and has profited not a whit materially.

5. Chiang Kai-shek Goes to Chengchow.

In the last "Comment" Feng Yu-hsiang was described as expanding North and East with a view to coming into contact with the Ankuochun forces. Shortly after the first of February a retrograde movement was noticed among his troops, and he was seen to be concentrating in the neighborhood of Chengchow. It has since been reported that he has been faced with sedition on the part of his Honan allies, notably the Second Kuominchun under Yueh Wei-chun and certain ex-bandit leaders such as Fan Chung-hsiu. This report has not been confirmed as yet, and is to be taken with reserve, especially as the well known negotiations between Sun Ch'uan-fang and Chiang Kai-shek and between the Ankuochun and Shansi would in themselves probably be enough to make him adopt measures with a view to security. At this point it was learned that Chiang Kai-shek was proceeding in person up the Tsin-Pu railroad, and it has appeared since then that he went on to Chengchow for a conference with Feng. Yen Hsi-shan is rumored also to be en route to this conference. Chiang's objective is clear. He has only a precarious foothold at the mouth of the Yangtze.

Ho Ying-ch'in, the most powerful individual troop leader in C hekiang and Kiangsu, is a potential rival, while Shanghai itself is under a Kwangsi commander. He must have allies. He can propose to Feng only two things: (1) Cooperation against Hankow, and (2) the organization of an effective Yen Hsi-shan--Feng--Chiang combination against the North, hoping to emerge triumphant by a coup de theatre. In view of Chiang's predilection for the grandiose, the latter alternative would seem the most likely. That C hiang should attempt such a mission indicates his desperation; and it is most unlikely that Feng will consent to any arrangement that does not net him a maximum of profit for a minimum of accomplishment.

6. Sun Ch'uan-fang's Stature Increases.

In the North quiet continues to prevail. The most significant events have been in connection with the Chihli-Shantung armies. During the second week in February two mutinies among these troops were reported along the Tsin-Pu railway, while Chang Tsung-chang has been forced to disband his Russian contingent because of lack of funds. These events indicate first of all the disorganized condition of the troops of the Chihli and Shantung Tupans, but back of them lie economic difficulties, and these economic troubles seem to have been intensified by the gradual spread of Sun Ch'uan-fang's power in Shantung province. It has for the past seven months been rumored that Sun would succeed Chang Tsung-chang in Shantung, but until fairly recently the rumor has appeared as a wish rather than as a reality. Chang's elimination cannot be accomplished brusquely, but Sun by a policy of shrewdness and firmness seems to be measurably in sight of de facto control of the province. Such an outcome would go far toward making the North secure against any adventure that the Yangtze militarists might be tempted to embark on in the future, and would go far toward reconciling the Chinese within the Wall to the Ankuochun regime.

7. <u>The Military Situation</u>.

As indicated throughout the above paragraphs, the military situation remains substantially unchanged. In Hunan the Kwangsi generals continue their exploitation of the victory that gained them Changsha. C heng Chien has consolidated his hold in the latter city, and to date the inevitable quarrels in the Kwangsi party have not broken out. Chang Fa-kuei is endeavoring to reorganize his Cantonese troops on the Fukien and Kiangsi borders of Kwangtung. In the North there have been no hostilities. The Shansi front remains quiet, and neither that province nor Fengtien seems inclined to active operations, although Peking is full of semi-official statements that Chang Tso-lin's troops will soon resume the offensive. The withdrawal of Feng Yu-hsiang to the South and West is being followed at a respectful distance by the Ankuochun armies. There is no sign of hostilities on the Tsin-Pu Railway.

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Office of the Military Attache, American Legation, Peking, China, February 15, 1928 - To: A. C. of S., G-2, Washington, D. C.

Forwarded, concurring in all facts and opinions.

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MILITARY INTEL. DIV.

1928 2055-622

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WAR DEPARTMENT

CONSENT ON CURRENT EVENTS

February 16-29, 1928

RECEIVED G/2 W. D. APR 2 1928

1. General.
2. The New Nationalist Cabinet.
3. Chiang Kai-shek Works to Consolidate his Power.
4. Political Developments in the Ankuochun.
5. Customs, Posts and Salt Gabelle Negotiations with Nanking.
6. Communism Persists.

1. General.

The latter part of February has seen no change in the broad alignments existing in China. There have been no hostilities of any consequence in the country, and the territorial holdings of the various factions have not been affected. No large scale re-alignments or alliances have materialized. However certain modifications have taken place in the internal structure of the various politico-military organizations. Among the Nationalists the influence of Feng Yu-hsiang is apparently on the increase. At the same time Chiang Kai-shek is endeavoring to consolidate his power by shelving Ho Ying-ch'in. In the North a similar process of consolidation is being attempted, centering around Chang Tsung-ch'ang. Meanwhile negotiations continue between the Nationalist authorities and the representatives of the C ustoms, Postal service and Salt Gabelle.

2. The New Nationalist Cabinet.

On February 23rd and 24th the following new ministers of the Nanking Government assumed office:

Huang Fu, Foreign Affairs.
T. V. Soong, Finance.
Wang Pai-chen, Communications.
Hsueh Tu-pi, Interior.
Yi Pei-chi, Agriculture and Mines.
K'ung Hsiang-hsi, Trade and Commerce.
Tsai Yuan-pei, Education and Chairman of the University Council.
Wang Ch'ung-hwei, Justice.

In addition to the foregoing the appointments were announced of Messrs. Frank Lee, Hsu Mou and Tao Li-chien as counsellors of the Ministry of Foreign Affairs.

With the exceptions of the posts of foreign affairs and finance the entire cabinet is obviously a piece of window dressing so far as the Nationalist Government is concerned. The chief interest attaching to the appointments lies in the political affiliations of the officials, insofar as they give a clue to the struggles for power within the Kuomintang. Frank Lee is at present in America for the purpose of furthering the scheme for the formation of an All-China commission to negotiate with the United States for treaty revision, and his appointment commits the Nationalists to follow, to a certain extent, the foreign policy of C. C. Wu. T. V. Soong represents himself. To a lesser degree so does K'ung Hsiang-hsi, although his collateral relation to the "Soong Dynasty" (he is married to T. V. Soong's sister) should not be overlooked. Wang Ch'ung-hwei, Tsai Yuan-pei and Wang Pai-chen represent the professional and opportunistic "center group" of the party. Huang Fu is reported a japanophile, but in company with Hsueh Tu-pi and Yi Pei-chi, is affiliated with Feng Yu-hsiang.

It is this latter group that possesses the greatest significance, especially in view of the absence of Chiang Kai-shek adherents. Chiang Kai-shek's visit to C hengchow early in February to confer with Feng marked an important step in the aggrandizement of Feng at Nanking and the new cabinet is a continuation of this process. Feng undoubtedly has ambitions to become the chief military man of the Nanking administration, and the Kuomintang politicians, whose sole method of controlling big militarists is by balancing them against each other, are obviously looking with favor for the moment on Feng's maneuvres.

3. Chiang Kai-shek Works to Consolidate his Power.

On February 15th a reorganization of the armies directly adhering to the Nanking government was ordered. By this reorganization they were divided into three "columns" and Ho Ying-ch'in was relieved from command of troops and appointed chief of staff of the nationalist army. This was clearly the object of the whole scheme and represents Chiang Kai-shek's effort to eliminate Ho as an obstacle to his own complete control of the Nanking forces. Ho has taken refuge in sickness and it is still uncertain as to whether he will submit to shelving. That Chiang should even attempt this action argues that he was fairly sure of his ground. At all events the Chiang - Ho struggle, now out in the open, will be settled politically rather than militarily, while Chiang, if successful, will have achieved a great deal toward strengthening his hold on the Nanking armies.

Another interesting development along the lines of military consolidation has been the reported decision of the Nationalist military committee to organize a "Fourth Army Group" in Hunan and Hupeh under the command of T'an Yen-kai. The Army Group will nominally include all the Kwangsi faction forces in that area plus the Hunanese opposed to them and plus the army of Lu Ti-p'ing. Only the last named organization can be regarded as acknowledging the control of the Nanking Government. The purpose of this move is obviously to curb the power of the Kwangsi bloc and also represents T'an Yen-kai's persistent desire to re-establish himself in Hunan after six years' exile. The very inception of this undertaking is an interesting commentary on the situation in the South, where the political organization can still exert a degree of pressure on the militarists, as opposed to the North where the control of the war lords over governmental activities is absolute. To date T'an Yen-kai, while scheduled to proceed to Hankow, has not ventured to proceed there; and the realization of the Fourth Army Group project still appears remote.

4. Political Developments in the Ankuochun.

From February 18th to February 22nd another full dress conference was held in Peking with all the high commanders of the Ankuochun participating. No official statement of the results of the conference was issued, but it is understood that the only important decision was to allot the Shantung front to Sun Ch'uan-fang, the Southeastern Chihli front to Chu Yu-pu, and to place Chang Tsung-ch'ang in supreme command of the operations along and around the Tsin-Pu railway. These decisions indicate continued progress toward the goal of getting Chang Tsung-ch'ang out of Shantung. It is said that the next step will be the assumption of the Chihli tupanship by Chang Tsung-ch'ang, relegating Chu to the post of a subordinate commander and presumably entailing his retirement. Sun Ch'uan-fang will then have a clear field in Shantung, although the civil governorship is said at present to be destined for one Sun Chi-wei, now in the service of Chang Tsung-ch'ang. All the foregoing apparently indicates progress along the lines suggested in the last "Comment" when the same situation was considered.

A less important but more clear cut political turnover took place in Peking on March 24th when Wang Yin-tai, Minister of Foreign Affairs, resigned office. His resignation has been accepted and he has been appointed to the portfolio of Justice in the same cabinet, vice Yao Chen, appointed chief judge of the supreme court. Lo Wen-kan was appointed to succeed Mr. Wang, and at the same time Liang Shih-yi was announced as Superintendent of Customs, a post heretofore held concurrently by the minister of finance. Liang Shih-yi's appointment may be regarded as a personal matter only. On the other hand Wang Yin-tai's resignation can be attributed to friction between himself and Wu Chin, vice-minister of foreign affairs and actually the representative of the military authorities in the foreign office. It is well known that Wu Chin is the real source of power in the ministry of foreign affairs and it redounds to Wang's

credit that he would not agree to be a puppet continuously. Dr. Lo Wen-kan, the new foreign minister, has had a long and varied political career in which he has generally won respect, but has never shown himself as a man of remarkable energy. It is reasonable to suppose that he is committed in advance to Wu Chin's domination. The whole situation emphasises the fact that in the North all civil administration is completely under military control. This in itself is not necessarily a bad thing, but should be considered always when contrasting the political actions of the nationalists and of the Ankuochun.

It is of interest to note that both Mr. Wang on his retirement and Mr. Lo on his assumption of office issued statements urging the continuance of efforts to cancel the "unequal treaties", but that both stated categorically that internal reforms must precede the realization of any hopes in that direction.

5. Customs, Posts and Salt Gabelle Negotiations with Nanking.

The conversations between the representatives of the foreign staffed Chinese governmental services and the nationalist authorities have continued along the lines described in the last "Comment". Mr. Edwardes, Acting Inspector General of Customs, is on his way back from Shanghai without apparently accomplishing anything concrete. On the other hand the Salt Gabelle seems to have some grounds for encouragement. T. V. Soong in a statement made on February 20th declared that the entire foreign personnel of the salt inspectorate would be restored to their positions, presumably in the territory under Nationalist control whence they had previously been ousted. Mr. Soong went on to say explicitly that the inspectorate would "not be charged with earmarking any funds for the payment of foreign loans", although "the nationalist government has not and will not repudiate any of China's just obligations". The nationalists have been forced into the reinstatement of foreigners in this instance by the woeful drop in salt revenues when collected by the Chinese themselves, the drop amounting in 1927 to approximately 40% gross. In consequence of this realization of need

for foreign help it is eminently possible that a working agreement may result whereby some portion of the salt receipts may be made available for the liquidation of the loans for which they were originally security. Affairs have advanced far enough for Mr. Hussey-Freke, Associate Inspector of the Salt Gabelle, to proceed to Shanghai on the 29th for further negotiations.

In the case of the Posts a similar realization of the need for foreign supervision has overtaken the Nationalists. It is reported that the Director General of Posts has already received petitions from merchants and commercial organizations in Szechwan pleading for the return of foreign staff. It is said that in that province at present letters must be paid for by the recipients before delivery is made, and that the postal routes are thoroughly disorganized as the result of the mail carriers sub-letting their jobs. With this background and faced by an apparent reasonableness on the part of the nationalist authorities, the postal administration is optimistic as to the chances for reconsolidating the service. To date, however, nothing definite as to the progress of the negotiations has been published.

6. Communism Persists.

Reports accumulate of sporadic communist activities throughout south and central China. In Shanghai and Canton a steady undercurrent of agitation and propaganda is conspicuous. Local communist outbreaks accompanied by intense violence and destruction in limited areas are continually occurring in Hupeh, Hunan and northern Kwangtung. In addition to the above, the area around Swabue in Kwangtung is actually under communist control, and a reign of terror accompanied by wholesale massacres and violence of every description is now in progress there. This persistence of the communists in adversity is characteristic both of the party itself and of China. The stern measures taken against it have reduced the party to a compact group of disciplined and desperate

men. As a secret and illegal organization they are concerned with only one thing, the creation of a proletariat. They have one great attraction to offer the malcontents of China, namely the prospect of loot and rapine, the opportunity to take from him who hath. Furthermore there is no chance for withdrawal from their ranks when once an individual has been implicated in their activities.

Compact and disciplined, united in a single purpose, the communists possess a cohesion that is lacking in all other Chinese political groups. The Chinese communist party is far removed from true Marxism, it already responds to a different set of stimuli as compared with the same party in Russia. There can be little doubt that it will continue to diverge from the classic communist doctrine. But its persistence is assured, and its driving force should bot be under-estimated at the present time.

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Office of the Military Attache, American Legation, Peking, China, March 1, 1928 - To: A. C. of S., G-2, Washington, D.C.

Reviewed and concurred in.

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SYSTEM SECT OF STAFF
MIL. INTEL. DIV.
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WAR DEPARTMENT

COMMENT ON CURRENT EVENTS

March 1-15, 1928.

RECEIVED G/2 W.D. APR 30 1928

1. General.
2. Military Trends.
3. Nanking Government Affairs.
4. Hongkong's Belated Approach to Canton.
5. Negotiations in Nanking Affair.
6. North & South Appoint Tariff Committees.
7. Government Services.

1. General.

While Chinese and foreigners ask "Why do they fight?", the Ankuochun occupies itself with preparations to receive an attack and Chiang Kai-shek pushes his ill-paid divisions into northern Anhui and Kiangsu. In spite of the evident war weariness on both sides and in spite of the indifference of many civil and military officials in the South, Chiang Kai-shek threatens to carry war into the North in order to bolster up his frail position of leadership in the Nanking Government. Meanwhile the cost of the objectless Northern Expedition overtaxes the already desperate people and gives further impetus to the widespread communist activities whose liquidation is much more imperative than the self-imposed duty of chastising Chang Tso-lin. The necessity of preparing for the threat has resulted in a wave of taxation in the North, the burden of which is seriously resented. Thus all over China the resources of the country are being drained for senseless military expenditures at the same time that the normal flow of trade and commerce is blocked and the restoration of wealth prevented. While the more intelligent civil politicians and statesmen in the North and South should be bending their efforts to a cessation of hostilities to provide a breathing space for trade, the past weeks have seen them enlisting in the campaign of squeezing military funds. Diplomatically they have been active in tariff autonomy schemes based on the arguments that China's woes are due to economic causes, the most serious of which are the restrictions imposed by foreign limitation of customs tariffs.

From M/A, China Report No. 7237 March 16, 1928

Throughout the South communist terrorism increases in violence and becomes more widespread. The almost daily reports of atrocities committed begger description for bestiality. All authorities agree that the communists are the only efficient political organization in China today. What appears to be a favorable commentary on the Kuomintang regime, namely, a relatively great degree of influence exerted by the civilian leaders in Nanking, is believed in large measure due to the remaining connection which these civilian politicians have with the communists, who in turn can bestir the masses and thus intimidate the more arbitrary militarists.

2. Military Trends.

No major operations have taken place during March. The Ankuochun has been engaged in improving its organization and resupplying its forces with small arms and munitions, great quantities of which have been forwarded from the Mukden arsenal and distributed from recent shipments from Europe. The disposition of forces is as shown in Situation Report No. 7233. Frequent rumors of impending Ankuochun offensives have been current but present indications point only toward a passive defense in the North. The results of frequent conferences, even if known, would merely be decisions of the moment since all Chinese plans are opportunist and military objectives fluctuate with overnight enemy moves.

Under Sun C huan-fang's organizational skill, the situation in southern Shantung has been improved. Sun has control of the front in southern and southeastern Shantung. Chang Tsung-chang gradually but surely is being relegated to the empty honors of an inspectorship of two provinces. Chu Yu-pu, disgruntled and possibly unreliable because of recent curtailment of his influence, holds the important Taming area with very inferior Chihli-Shantung troops. He connects

with the 3rd and 4th Army Groups along the Kin Han railway. During the past fortnight Feng Yu-hsiang has conducted minor operations between Taming and the Kin Han, from which area he might logically be expected to drive northeast along the river and road communications toward Techow, in case of a combined Nationalist offensive.

In spite of the very unfavorable economic and political situation in the South the Chiang Kai-shek faction of the Nationalist Government has evidently carried its point in favor of an immediate drive against the North. Chiang's career depends upon his success in the field, upon a campaign on which he is venturing with little chance of success unless he may depend upon the genuine cooperation of Feng Yu-hsiang and Yen Hsi-shan. Feng's ambitious aims are little furthered by Chiang Kai-shek's successes. Whether Feng's eyes are cast on Nanking, which seems most likely, or on Peking, the defeat of Chiang Kai-shek and the weakening of northern power in Shantung is the consummation most favorable to Feng's ascendancy. Whatever agreement may have been reached in the Kaifeng conference, little faith exists in Feng's honest cooperation in the Northern campaign. The same mutual distrust exists to obviate timely cooperation between Yen Hsi-shan and Feng Yu-hsiang.

In addition to the lack of cooperation - in any event coordination - to be expected from the Nationalist front line forces, shortage of arms and ammunition is seriously felt among all three allies. The spirit which energized the Nationalist armies in 1926 and 1927 is lacking among the disillusioned, ill-paid soldiers which will attempt the continuance of the Northern Expedition. With the exception of Feng's own personal army, the will-to-fight is probably no more pronounced among the Nationalists than among the Fengtien soldiery. The ensuing campaign will be one of C hinese leadership versus Chinese leadership, with the mass inefficiency which that implies, and the money available to the contestants will go far toward deciding the issue. The Ankuochun is unable to resist

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combined Nationalist effort, and whether any reasonable degree of cooperation among the Nationalist leaders will be forthcoming depends largely upon the success or failure of the first attacks. This, in turn, depends largely upon the funds available for subversive financial operations among enemy subordinates. The coming war may be expected to be more normally Chinese than was the campaign of 1927.

Reports from Shanghai and Nanking all agree as to Chiang Kai-shek's intention to attack at an early date. He is denuding Chekiang, southern Kiangsu and Anhui of troops, most of which are of inferior quality, and disposing them along the southern border of Shantung. Munitions are being moved forward. From the foreign viewpoint an attack is inevitable, but the northern Chinese seem strangely unimpressed and calm. Whether from an appreciation of events hidden to foreigners or from a belief in Chiang's inability to overcome the many obstacles to his plan, I find the Chinese generally do not sense that a major decision is imminent. The indifference of many Southern leaders, the near-hostility of the Kwangsi Party, the internal communist disorders and the dubious aims of Feng Yu-hsiang, all these constitute an unhappy augury for a successful campaign against Northern militarists at this time.

So complete has been the indifference of the Kwangsi Party to the Northern Expedition the suspicion is warranted that Chiang Kai-shek's defeat would be welcomed as the surest step in Kwangsi Party dominance in the Nanking Government. The scattered ex-Tang Sheng-chih forces in Hunan have been dispersed and the leaders of organized units are reported to be negotiating with the Kwangsi commanders to effect incorporation in the Kwangsi ranks. Many of the disorganized soldiers have turned communist (a term rapidly becoming synonomous with lawless elements) and are adding to the terrorism existing in a zone from the coast through northern Kwangtung, and southern Hunan into northern Kwangsi.

3.Nanking Government Affairs.

A mandate of March 6th designated the following heads of regional political committees: Li Chih-shen at Canton, Feng Yu-hsiang at Kaifeng, Yen Hsi-shan at Taiyuanfu, Li Tsung-jen at Hankow and Chiang Kai-shek at Nanking. The first three appointments merely regularize posts attained by the efforts of the appointees themselves. Li Tsung-jen, a Kwangsi Party man, recently reconciled to Chiang Kai-shek, represents an attempt to enlist the cooperation of the Kwangsi generals in control of Hupeh and Hunan, and is a compromise for Tan Yen-kai who was found to be unacceptable in Wuhan.

On March 6th Tang Yueh-liang, a staunch adherent of Feng Yu-hsiang, was appointed Vice Minister of Foreign Affairs in the place of Kuo Tai-chi, resigned. Huang Fu, Minister of Foreign Affairs, originally placed in the government by Feng Yu-hsiang, appears to have been repudiated by Feng. The latter, however, without Huang Fu, still has four representatives in the Nanking Government.

Chiang Kai-shek, having succeeded for the time being in shelving Ho Yin-ching as Chief of Staff and in having himself named commander of the First Army Group (in reality all the military forces which might be considered directly subject to the orders of the Nanking Military Council), is now in position to overawe certain civilian obstruction in Nanking to his schemes of self-aggrandizement. His other official titles, so far as known, are Chairman of the Standing Committee of the Military Council, member of the Foreign Affairs Committee of the Government and Chairman of the Central Political Committee.

In a very interesting report of March 9th in the Kuo Min, semi-official Nationalist news agency, Huang Fu further enlarged on his foreign policy and stated his attitude toward the various powers. Among other things he said, "If Japan, at the moment of our positive advance into Shantung, refrains from despatching troops there, or only sends a

small number of soldiers and remains true to her spirit of merely protecting Japanese subjects in Shantung and not being an obstacle to the movement of the Northern expeditionary forces, then her attitude can manifest itself, and therefore, the Nationalist government, as well as the entire Chinese people, can assume a new attitude towards and change their traditional views regarding Japan; for then, I firmly believe our Northern Expedition can conquer Peking in two months, and likewise Sino-Japanese relations will gradually become more friendly".

In this remarkable sentence the Minister of Foreign Affairs admits (1) the possible need of protection of foreigners in the path of the Northern Expedition, (2) concedes the propriety of furnishing reasonable protection by foreign troops, and (3) by inmuendo expresses the generally held view that Chang Tso-lin's tenure inside the Wall depends upon the will of Japan.

From a reliable source it has been reported that refuge is being afforded in Nanking for representatives of the League of Oppressed P eoples, a Communist organization. Members from the Philippines, Indo China, India and Egypt have been identified, and a propaganda sheet is being published.

4. Hongkong's Belated Approach to Canton.

It is like turning back the leaves of history some eight years to read of the amiable and ceremonious visits being exchanged between the Governor of Hongkong and Li Chi-sen of Canton. It suggests all the British might have done during the time when Sun Yat-sen tried to convince them that he was more than a visionary and ultimately had to resort to practical politicians from Moscow. The efforts of Sir Cecil Clementi are interesting as manifestations of Hongkong's chastened attitude but so much water has flowed under the bridge since 1920 that it is extremely doubtful if China will welcome regional recognition or that the British

Parliament will vote material means to render it beneficial. Li C hi-sen was received at Hongkong on March 2nd with all the honors at the disposal of the Government. The most friendly personal and official speeches followed. In a word, Sir Cecil said, "Security, trade, and all other good things will follow". Sir Miles Lampson was present for the occasion. On March 9th the return visit was made to Canton when some popular enthusiasm was manifest and many police-inspired British flags flew alongside Kuomintang flags. This was undeniably evidence of a considerable change in the attitude of the Cantonese toward foreigners and, what is more important, proof that officialdom in China is largely responsible for treatment accorded foreigners in all instances.

When the ceremony is over and Li Chi-sen mentions money - and without money his friendship however genuine will be only of temporary value - it will be interesting to see what complications will arise.

5. Negotiations in Nanking Affair.

The British Minister, after having visited Shanghai, Canton and Hongkong, returned to Shanghai on March 5th where he is now engaged in negotiations with representatives of the Nanking Government looking to the settlement of the year-old N anking affair. Aside from clearing the diplomatic slate and arranging for the settlement of damages, it is difficult to attach any importance to the negotiations. The re-establishment of foreign consuls in Nanking at this time is rather imperative in view of the fact that the Nationalist Government is a "going if not an efficient concern". All the advantages in the way of future respect for foreign life and property were lost when the powers permitted two weeks to elapse after the atrocity without exacting reasonable terms of settlement. If the Chinese had been forced promptly to acknowledge a superiority of the foreigners' position, moral and

physical, much future trouble would have been avoided. Whatever terms are now grudgingly forced from the Chinese will be looked upon as a commercial bargain, and the pursuit of damages will obscure the paramount issue of security for foreigners engaged in proper pursuits and respect for officials performing important duties. The punishment of responsible militarists, which we know is impossible, even if secured would place the foreigner in the position of being merely vengeful.

The British officials pressing for a settlement with gradually modified demands even now appear in Chinese eyes as suppliants.

6. North and South Appoint Tariff Committees.

A mandate of March 5th, brought into being in Peking a trial-balloon in the form of a committee to investigate into the question of tariff autonomy, "Emblem of Sovereignty". As nearly as can be gathered the nominal duties of the committee are to arrive at plans for the application of interim increases in customs tariffs and for the ultimate assumption of tariff autonomy on January 1, 1929. Actually the object of the maneuver, so typically Chinese, is to see how far the powers will permit the Chinese to go in disregarding existing treaties relative to customs tariffs with a view to increasing by any means the governmental revenues now depleted by military expenditures. A similar organization was created at Nanking on March 13th. There is considerable evidence of common action along these lines at Nanking and Peking conducted through personal friends in the two governments. This common action against an outsider, always possible in enemy Chinese camps, is another evidence that Chinese wars are never decisive and uncompromising affairs as are civil wars in the West. Hatred which comes from strong partisanship in a cause is necessarily lacking where no abstract cause exists; consequently Nanking and Peking can join hands in edging out the foreigner when their soldiers are killing each other at the front.

The more prominent members of the Peking committee, consisting of many members, are Wellington Koo, Liang Shih-yi, Tsao Yu-lin, Wang Keh-min and Lo Wen-kan. These gentlemen are now seriously engaged in spreading the doctrine that China's ills are purely economic and that her economic shortcomings are all occasioned by limitations placed upon the government in fixing customs tariffs. Since one cannot impute ignorance in the case of the above named gentlemen for such a groundless argument they may be charged with that unreliability and unscrupulousness which brands the public utterances of all Chinese statesmen.

Mr. Lo Wen-kan, Minister of Foreign Affairs, told me categorically that the interim tariffs would be applied whether or not foreigners could foresee in them advantages to China. He also admitted that communications were passing between the local commission and the similar body in Nanking. The Acting Inspector-General of Customs assured me that the statement of the Minister of Foreign Affairs relative to the application of interim tariffs was not to be taken literally. In other words, it should be accepted as a hope rather than a decision.

7. Government Services.

The Customs, Posts and Salt Gabelle are continuously engaged in fights for existence. Since no foreign governments, except perhaps Japan, are insisting upon adherence to treaty stipulations, the foreign personnel in these services are fighting a withdrawing action. The Inspector General of Customs has recently returned from negotiations with the Nanking Government, the results of which are not known; the Co-Director of the Salt Gabelle is now in Shanghai and his number two is en route to Canton; an agreement regarding the Posts has just been made public. The Salt Gabelle boasts of success in having retained the supervisory duties for foreign inspectors in the South. The Posts is

retained under unified control, the French co-Director holds his position, but an exchange of Chinese co-directors between Peking and Nanking, without whose agreement no vital decision can be made, effectively nullifies the co-Director's authority. The agreements in all instances indicate that treaties are being disregarded and the foreign personnel, left more or less to their own devices, are succeeding only in delaying the evil day when the foreign personnel will vanish. In other words, it appears that the foreign personnel features of the services are being maintained in existence while the objects of the services are gradually being sacrificed.

In all negotiations the Chinese appear to have won points by indirect means. The success in recent conferences from a foreign point of view seems to be measures by the indispensability with which the Chinese, North and South, regard the remaining foreign control and stewardship of nationally important services.

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WAR DEPARTMENT

COMMENT ON CURRENT EVENTS

March 15-31, 1928

RECEIVED G/2 W. D. MAY 14 1928

1. General.
2. Military Activities.
3. Ankuochun Political Changes.
4. The Ankuochun Decides to Eliminate Feng.
5. Kwangsi Faction Confers at Changsha.
6. Li Chi-sen Visits Nanking.
7. Nanking Settlement.

1. General.

The Nationalists announce the imminence of the Northern Expedition with a monotonous frequency that suggests cries of Wolf"! Nevertheless the Chekiang faction, led by Chiang Kai-shek, has enlisted the support of, or incurred the responsibility for, so many odds and ends of troops whose leaders are without territory that ultimately they must be employed aggressively. These nondescript, and in some instances dangerous, organizations have continued to filter through southern provinces and are appearing north of the Yangtze in increasing numbers. Thus far only troops of homeless leaders constitute Chiang Kai-shek's northern expedition. The Kwangsi faction assert adherence to the principle that the North must be conquered, but no dispositions have been made in Wuhan to indicate that Chiang Kai-shek may not bear the brunt until honors are more clearly defined. While the political maneuvering of Chiang Kai-shek has produced verbal protestations of common action among all Nationalist factions in the coming struggle, genuine cementation binding the divergent groups is yet to be applied. The several aims of Nanking, Wuhan and Chengchow can be furthered only by individualistic accomplishment. So long as this condition exists the Nationalists, however imposing their array, must be considered relatively weak as compared with the Ankuochun whose continued existence depends upon mutual support.

From M/A, China Report No. 7246 April 4, 1928

A recent conference of the Ankuochun leaders resulted in a manifestation of this imperative cohesion and in the announcement of a decision to assume the offensive against Feng Yu-hsiang. Dispositions for this course of action have about been completed, and present indications are that Feng will be attacked before Chiang Kai-shek can threaten Shantung. This unusual boldness of the Ankuochun, should the advance into Honan materialize, gives rise to a reasonable suspicion that Chiang Kai-shek and Yen Hsi-shan have a degree of understanding with the Ankuochun whereby they shall not embarrass the latter in operations destined solely to eliminate the Outcast.

The period has been marked by a successful political accomplishment by the Ankuochun, by continued efforts of Chiang Kai-shek to secure some degree of cooperation from the Kwangsi faction, and by a vigorous effort on both sides to finance large military operations the course of which will doubtless introduce many unforeseen developments during the coming summer. No serious fighting has occurred on any front although contact has been more continuous in the Tzechow area. The British negotiations for settlement of the Nanking affair abruptly failed because of a rigid attitude of the British Foreign Office, while Mr. MacMurray arrived at an agreement with Huang Fu which promises to eventuate in a settlement acceptable to the State Department and the Nationalist Government and permit the re-establishment of normal relations with the regional regime at Nanking.

2. Military Activities.

The dispositions of the Ankuochun forces have not altered materially since the last "Comments" except for a general movement nearer the front preparatory to the coming attack. The mass of the Third and Fourth Fengtien Armies is in the Hantan-Tzechow area. Upon the arrival of the 15th Army in the Suiyuan area, the 22nd Fengtien

Cavalry Division was sent south along the Kin-Han. Sun Chuan-fang is highly concentrated facing southwest in the Yuncheng-Kuyeh-Kinsiang area. His force is well supplied and, unhampered by territorial administrative demands, is a mobile fighting machine. Contrary to our previous conceptions, Chang Tsung-chang still commands his Chihli-Shantung units on the Tsin-Pu railway where he is disposed for a passive defense. Chu Yu-pu's troops in the Taming area are the most undisciplined rabble in the Ankuochun armies. Since no fear of Yen Hsi-shan is expressed in Fengtien circles it is not impossible that Yen may be indifferent to the fate of Feng Yu-hsiang. It is likewise suspected that the Ankuochun leaders have reason to believe that Chiang Kai-shek will adopt dilatory tactics, or else is too weak to defeat the inferior troops of Chang Tsung-chang.

Unimportant skirmishes, details of which are unavailable, have taken place along the Chang Ho near Tzechow. In general Feng Yu-hsiang has withdrawn his advance elements in the Taming salient to the line Tsuwangchen-Tsingfeng. The mass of his own reliable troops remain along the Kin-Han between Chengchow and Hsinhsiang. No news whatsoever leaks out of Shansi. This may mean that Yen is quiescent or that he is preparing surprises. Ankuochun intelligence is notably faulty in a country where informational agencies are so numerous. A Shansi cavalry brigade in the vicinity of Shihkiachwang recently turned over to the Ankuochun. Since ruse is more common in China than sound tactical employment turnovers are frequently of dubious advantage.

Chiang Kai-shek's heterogeneous forces threatening southern Shantung have been augmented entirely by "orphan" troops which are not desired elsewhere. For some weeks there have been rumors that Chang Fa-kwei's Iron Army (remnants of the 4th Army) were en route from southern Kiangsi where they retired after defeat at the hands of Li Chi-sen and Chen Ming-shu in Kwangtung. One detachment of some 20,000 under

General Fang Ting-ying appeared at Haangchow about the middle of March and have since moved forward to Pukow while another detachment under General Miao Pei-nan came via Kiangsi and were reported at Pukow on March 21st. The employment of these enemies of Li C hi-sen is another of the obstacles to a rapprochement with the Kwangsi faction. The communistic associations of the Iron Army give to the Northern Expedition an unwholesome aspect from a foreign point of view and causes one to suspect the completeness of Chiang Kai-shek's break with Chinese communists.

The campaign of the Kwangsi militarists, Cheng Chien and Pai Chung-hsi, in Hunan having resulted in the dispersion of ex-Tang Sheng-chih forces or their incorporation into the Kwangsi ranks, the Seventh (Hsia Wei) and Nineteenth (Hu Tsung-tu) armies, withdrawn from Hunan, began arriving in Hankow on March 28th. This has been interpreted as the first evidence of participation of the Kwangsi faction in the Northern Expedition. Even though, as reported, some Kwangsi troops have been sent up the Kin-Han from Hankow, and in spite of the repeated assertions of the Kwangsi leaders that they are participating in the northern drive, it remains to be proved that the Kwangsi faction is actually cooperating with either Chiang Kai-shek or Feng Yu-hsiang, or both.

3. <u>Ankuochun Political Changes</u>.

The curtailment of the powers of Chang Tsung-chang have not proceeded so far as previously indicated. Despite many reports to the contrary it now appears that Chang has no intention of leaving Tsinanfu to reside in Tientsin nor has he conceded any of his military or civil powers to Sun Chuan-fang. He still commands the Chihli-Shantung troops who hold the southern approaches to Shantung. As Inspector of the Chihli Army, which post he assumed on March 3rd, he exercises supervisory powers over Chu Yu-pu, Tupan of Chihli. The latter is so intimately and genuinely attached to Chang Tsung-chang that his personal disaffection is not believed to be likely.

With the object of curbing Chu Yu-pu's power and obviating some of the evils of the civil administration in Chihli, Mr. Sun Chih-wei was appointed on March 20th Civil Governor of the Province, which post Chu Yu-pu had been holding concurrently. On the same date Mr. Lin Hsien-tsu was appointed Civil Governor of Shantung. Thus Chang Tso-lin seems to have solved a difficult problem. Sun Chuan-fang with a mobile army in the Tsining area is appeased with liberal munitions and money and the hope of an early return to Kiangsu and Chekiang. Administrative evils in Shantung and Chihli are alleviated by the appointment of civil governors. Chang Tsung-chang, undeniably loyal to Chang Tso-lin, in addition to remaining Tupan of Shantung is appointed Inspector of Chihli, supervising Chu Yu-pu who, due to his loyalty to Chang Tsung-chang, will thus be prevented from disaffection. This delicate Chinese adjustment is a notable accomplishment for Chang Tso-lin and leaves the Ankuochun leaders united in purpose, in marked contrast to the Nationalist groups which today are unable to subordinate their individual aims to common action against the North or to the delegation of political control over the southern provinces to the government of Nanking.

4. <u>T he Ankuochun Decides to Eliminate Feng</u>.

Between March 17th and 20th a series of conferences were held by the Ankuochun leaders in Peking attended by all the Army Group commanders. It was as a result of this conference that the final difficulties of the Chihli-Shantung situation were ironed out. A very friendly spirit prevailed throughout the social and business gatherings of the Ankuochun leaders. A decision was reached to proceed at an early date with offensive operations against Feng Yu-hsiang. While Chinese decisions and plans are always subject to abrupt changes it is certain that the Army Group commanders left Peking to make final preparations for an attack on Feng Yu-hsiang.

The Chinese sometimes become dramatic in those rare moments when decisions are arrived at. Marshal Chang told the French Minister that since the age of fourteen he had been in danger of his life. Now he has become callous to fear. He said these wars cannot go on draining the livelihood of the people and that in order to eliminate the principal obstacle to peace, Feng Yu-hsiang, he was willing to stake all he had. This time he stated literally that he would "win or bust". C hang Tsung-chang in a moment of exuberance during private theatricals said he would carry his coffin to the front. This grim Chinese ceremonial means that if victory is denied the leader will not return alive.

The plan is said to be for Chang Tsung-chang to hold Chiang Kai-shek in southern Shantung while Sun Chuan-fang engaged Feng in the direction of Kaifeng and for the Fengtien Third and Fourth armies to attack down the Kin-Han railway against Feng's main forces. The Fifth Army in the Tatungfu area will contain Yen Hsi-shan by a secondary attack in North Shansi, hoping Yen will not attempt to assist Feng.

5. Kwangsi Faction Confers at Changsha.

About the middle of March a conference of Kwangsi leaders convened at Changsha. All reports of the deliberations there are sheer speculation. The control of four important provinces demands numerous adjustments within the faction, but from a broader point of view the whole question of conflicting interests with the Chekiang faction is to be faced. All other details are unimportant. The adherence of the Kwangsi faction to the Nanking regime depends entirely upon the degree of influence it can attain there. Since this is equally true of Chiang Kai-shek and Feng Yu-hsiang, it would appear that the Kuomintang Party leaders are faced with a problem impossible of solution. Coalitions in China are resorted to only during breathing spells; a healthy faction within a party will have a monopoly of power or nothing.

Pai Ching-hsi and Cheng Chien still deliberate in Changsha even though Li Tsung-jen bearing olive branches arrived in Hankow from Nanking or March 28th. Li Chi-sen and Chen Ming-shu, either with olive branches or very pronounced aversions to compromises with Chiang Kai-shek, left Nanking for Changsha on a warship on March 27th.

Chiang Kai-shek's future depends in a large measure on the decisions made at the final dinner at Changsha. His future is not bright. Without Kwangsi faction aid Chiang's northern expedition will be a fiasco; the Kwangsi faction will participate in Nanking Government affairs only as the predominating influence and Chiang Kai-shek's stature must shrink in either event.

6. Li Chi-sen Visits Nanking.

Much speculation was aroused over the sudden departure of Chen Ming-shu from Canton on March 14th, followed by Li Chi-sen the following day. After the visit of Sir Cecil Clementi, Governor of Hongkong, to Canton there was a slight recrudescence of anti-British sentiment aroused principally by the Whampoa cadets. It was feared that further trouble would be stirred up in Li Chi-sen's absence but nothing has occurred. General Huang Shao-hsiung by taking proper military measures in Canton prevented the Canton-for-the-Cantonese faction from attempting a turnover. Many wild guesses have been ventured as to the occasion of Li's trip which he announces to be merely for the purpose of conferring with the Nanking Government and discussing policies. It is known that the British Consul and the Hongkong officials tried to dissuade him from leaving Canton.

Arriving in Shanghai on March 19, the two generals continued to Nanking on the 21st. En route Li Chi-sen announced in interviews that the relations between Canton and Nanking were cordial and that Canton would support the Northern Expedition. He had previously stated otherwise to Sir Miles Lampson. Whatever differences may have existed between Li Chi-sen and Chiang Kai-shek they were not so serious as to prevent per-

sonal negotiations. The results of the conversations will be transmitted to the Kwangsi faction conference in session at Changsha, whence the two travellers from Canton departed on March 27th.

Nanking Settlement.

The cleaning of diplomatic slates, indemnity for losses to individuals, if pressure be continued, and the re-establishment of observers in Nanking are the benefits to accrue from a settlement of the Nanking affair. Regardless of the terms of settlement, the deterrent effects upon the Chinese in future possible situations of this nature are nil, since no settlement was exacted or penalties, however mild, inflicted immediately after atrocity. The British Foreign Office refused to ratify a tentative agreement including a mention of regret for the occurrences necessitating fire from the ships and the inclusion of matter not germane in the way of general sentiment regarding treaty revision. That the British stood firm on these points and the State Department did not is of little consequence at this late date. The settlement, however worded, will be so thoroughly misinterpreted to the Chinese public as to make the foreigners appear remorseful of their own acts and by way of retribution constrained to discuss treaty revision. The agreement initialed on March 30th, by no stretch of imagination permits any such interpretation, but weird Chinese transmutation will certainly be applied to the terms whereby the foreigner will become the transgressor, then the suppliant for Chinese favor.

The British will ultimately make a settlement along terms similar to our own. But even if materially altered, no physical evidence of sanctions will be included and the written word with such limited circulation as the authorized text will not alter the belief among the Chinese that again the Chinese "got away with it".

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COMMENT ON CURRENT EVENTS

April 1-15, 1928

1. General.
2. Military Situation.
3. Sino-Japanese Relations
4. Nanking Government Affairs.
5. Incident of the French Concession in Hankow.
6. $10,000,000 Drive.

RECEIVED G/2 W. D. MAY 26 1928

1. General.

April 1st might well be considered the date of opening of hostilities which have so long been predicted. Since that time operations, not of great magnitude however, have gradually spread to all fronts. Beginning with an advance from Tzechow on the Kin-Han railway against Feng Yu-hsiang, activities followed which resulted in pushing Yen Hsi-shan west of the Tsingsing mines on the Chengtai railway and Shantung later became involved by the initial move of Chiang Kai-shek's army on the Hanchuang-Taierchwang line, which resulted in a Nationalist advance to Tenghsien on the Tsin-Pu.

Events other than the thickening hostilities have demanded only cursory notice. The Nationalist regime at Nanking is holding its own and in fact appears to be increasing its prestige by spreading its shadowy form of government over the south. This enlargement of scope of influence is not to be construed as actual control but it undeniably is a manifestation of an emerging policy at Nanking by which full use is being made of compromise and advantage derived from the sentiment which clings about the Kuomintang Party.

The constant friction between Chinese and Japanese in Manchuria was intensified by the recent airing of differences which have arisen over the latest Chinese disregard of general and specific agreements regarding railway developments in Fengtien. The feeling of the

Japanese in Manchuria has been running high but Japanese officialdom in Peking takes a very calm view of the situation. The Sino-Japanese conflicts in Manchuria are never unrelated to the Chinese internal situation and the local J apanese representatives, viewing the gathering Nationalist threats in Shantung, doubtless feel that the time is not distant when sweet reasonableness in Manchurian affairs may be exacted of the Fengtien Party in return for moral and possibly material support which may be needed either in the event of Nationalist successes or long protracted, indecisive operations. Chinese groups, however honest their intentions, are always too few days marches ahead of insolvency to develop any degree of independence of proffered outside assistance. The Fengtien Party traditionally has found it inexpedient to burn bridges between itself and Japanese support, however entangling and costly such support has always proven in the past.

A dark cloud loomed up and was as quickly dispersed in Hankow over the French concession. Oddly enough the French found themselves charged by the local Chinese authorities as the defenders of communism due to circumstances which arose over a refusal of the French Consul to turn over alleged communists, temporarily shielded as political refugees. Shrewd, if not too meticulously consistent, handling of the affair by the French Minister settled the incident with an expedition not permitted representatives of those nations which cling to inflexible ideas of western justice and established procedure.

2. Military Situation.

During the latter part of March contact between the Fengtien and Kuominchun troops along the Chang River, which crosses the Kin-Han railway south of Tzechow, resulted in some fighting. About April 1st, the Fengtien 29th Army was reported to have crossed the river and to be moving south along the railway. Fenglochen was captured and Fengtien

forces are now threatening Chaogteh. During the first week in April a Fengtien advance westward along the railway leading from Shihkiakwang to Taiyuanfu resulted in the occupation of the Tsingsing coal mine area on April 5th from which no further advance has been reported. Small skirmishes only have taken place in the vicinity of the passes leading into northern Shansi.

No change in the Shantung situation was reported prior to April 10th. The long threatened Nationalist offensive started on that day by an attack along the line Taierchwang-Hanchuan. The main effort seems to have been made at Taierchwang directed along the railway branch to Lincheng. Due to an unexpected attack on the Shantung troops by bandits, or to a turn-over of some units, the Nationalists were successful and advanced rapidly toward Lincheng. The Shantung troops resisted well in the Hanchuang area but, being flanked out from the east, Hanchuang was evacuated on the 12th and a general retreat ordered on the Tsin-Pu. Lincheng fell probably on the 13th. By the 15th Chang Tsung-chang was defending in the Tenghsien area, his troops having retreated in good order. Unconfirmed reports state Chang Tsung-chang personally led a desperate attack which recaptured Lincheng on the 15th.

Very unreliable reports state that Sun Chuan-fang has advanced to the Lunghai railway in the vicinity of Tangshan. He is said to have had financial dealings with Fan Cheng-wu, a very unreliable subordinate of Feng Yu-hsiang who occupies this area. If it be true that Sun has fought or bought his way to the Lunghai, he will be in a position to embarrass Chiang Kai-shek by threatening Hsuchow. The complete developments of the operations of the last five days will not be known until the facts leak out slowly. It may be said of all Chinese official reports that bad news is withheld and successes are exaggerated.

A report of the 15th from the Consul General at Hankow states that evidence accumulates that the Wuhan faction is exerting great efforts to assist in the war. In any event substantial movements of troops

northward into Honan are taking place. The destination of these troops is Sinyangchow in Honan. It is interesting that the Japanese still entertain doubts that these troops are really destined to support Feng Yu-hsiang.

3. Sino-Japanese Relations.

It is futile to expect any permanent settlement of the numerous Sino-Japanese questions in Manchuria so long as Japan occupies the anomalous position she does on Chinese territory. No amount of diplomatic circumlocution can obscure the fact that Japan is in occupancy of Chinese territory and is pursuing a policy of economic exploitation such as no sovereign nation can admit within her borders. However one may feel about the merits of the Japanese case insofar as desperate necessity demands her present policy in Manchuria, from a rational viewpoint Chinese nationalism has so far progressed that friction cannot be obviated in Manchuria until the political status of that area be redetermined. To put it baldly, Japan must withdraw politically from Manchuria or forcefully annex Manchuria, or expect endless and constantly increasing friction which will deny her the benefits she seeks.

The present acute feeling among the Japanese whose interests lie in Manchuria is caused by the Chinese persistent worming-in process in railway development and typical disregard for written agreements regarding such development. The details of the present situation are explained in Report No. 7255, "Present Sino-Japanese Disputes over Manchurian Railways and Ports". The Japanese Minister in Peking is seeking a solution but, as previously stated, there can be at best only a truce in the Sino-Japanese Manchurian conflict. There is no permanent solution which will perpetuate a policy which aims at dual sovereignty in the same territory.

Almost invariably in recent years Japanese pressure is at play to effect an artificial adjustment in Manchuria at the time when the Fengtien Party finds itself in a struggle for existence. The Japanese

Minister will find Chang Tso-lin progressively amenable to unwholesome suggestions as the Ankuochun headquarters record successive Nationalist advances in Shantung. The suspicion that the Japanese by moral and material support directly influence Chinese internal situations is inescapable. But it is error to assume that the Japanese Government acts with assurance in applying her checks and balances. Japan's political position in Manchuria is wholly illogical, in consequence of which her interference in Chinese affairs is necessarily filled with misgivings. However much sand is thrown in the Manchurian gears by the Fengtien Party, Japan justly fears that the Nationalists, if victorious, would throw gravel. The only logic under which the Japanese might welcome the Nationalists as direct neighbors in the North is the probability that the latter would precipitate the inevitable crisis when Japan's political status in Manchuria must be radically altered.

While predictions as to the outcome of the present war cannot be based on a reasonable number of known factors, the most important factor influencing the outcome will be known when Japan is forced to show what outcome she desires.

4. Nanking Government Affairs.

The negotiations of a settlement of the Nanking affair between the British and the Nationalists continue at Shanghai, the results of which are not known. The Counsellor of the Japanese Legation, Mr. Hori, has recently gone to the south presumably to assist in the negotiations for J apan.

Due to his differences with Huang Fu, Quo Tai-chi, for a long time Commissioner of Foreign Affairs at Shanghai, was dismissed by Nanking on April 5th. He has since written a very embittered letter to the Central Committee of the Party charging the Nanking Goverament with failure in its handling of foreign relations, especially charging that the Nanking settlement with America disregarded all the Party polities and Dr. Sun's injunctions. His attack apparently was considered in very bad taste by his Chinese and foreign friends.

#7256

Conversations regarding the Nanking regime with a long resident in China who recently has spent some critical months in Shanghai have confirmed the impressions of the British Minister, the French Minister and Mr. MacMurray regarding the general situation as expressed by the latter in his cable to the State Department on April 7th. An observation of especial interest which has not been stressed heretofore was the new spirit of compromise which is being exploited by the civilian element of the government at Nanking. C ompromise plus the coalition idea is being attempted as a means of keeping all factions and provincial cliques nominally if not actually under Nanking's authority. Compromise certainly is Chinese, but coalition is not. Every Kuomintang faction and group of importance now is represented in the Central Political Committee. Those individuals with the old Cantonese boss idea of a compact, monopolistic leadership of the Kuomintang have been urged to depart abroad or go into retirement at Shanghai. The coalition idea seems to be getting a trial.

The immediate effect quite naturally is that nothing definite can be accomplished and no business can be put through. The defenders of the system insist that this is a lesser evil than the control of the Party by a small clique. It has resulted in one apparent advantage which is that the Kuomintang flag flies and the committee form of government exists in every province, Szechuan possibly excepted, not occupied by the North. In many of these provinces Nanking exerts no authority whatsoever but an acceptance of the identical form of provincial government is expected to result ultimately in common thought, then action. Provincial group bosses or their representatives are actually in the central political committee, and some degree of indoctrinization is inevitable. The provincial political committees frequently seen mandated by Nanking naturally are named by provincial bosses, but Nanking gains some prestige from the public appointment.

This development appears to be the most hopeful sign of good to come out of the Kuomintang regime if the civilian proponents of the idea can maintain themselves in Nanking long enough to permit the gradual and voluntary delegation of some real authority to Nanking.

5. Incident of the French Concession in Hankow.

Monsieur de Martel, French Minister, had said his farewells on April 4th and was departing the following day for France on leave. At noon irritating instructions came from Paris to postpone his trip until several pressing problems were solved. The most urgent was the affair at Hankow which had arisen with great suddenness. The French Consul General at Hankow in his eagerness to get away on leave hurriedly dumped some unfinished business,not fully explained, upon his successor and at the same time showed unaccustomed rudeness to some insistent representatives of the local Chinese militarist when they came to demand the extradition from the French concession of some prisoners said to be communists operating from the confines of the concession. The Consul General departed and then the storm broke. The Chinese Commander at Hankow in a published telegram charged that the French concession was a hotbed of communists and suggested that the concession be taken over. He further assigned what would be a reasonable Chinese motive, naturally unverified in this case, for the French Consul General's action. He stated that the Consul General was accepting large bribes for harboring communists.

The public was stirred up. Street demonstrations and meetings were encouraged which started agitation demanding the recovery of the concession. At this point Mr. Martel, still angry for having been delayed, started to work. As French representatives can do, he approached the problem so as to effect an immediate solution with no concern whatever for maintaining old principles or establishing new ones. According to his own story he did somewhat as follows: Urged Quai d'Orsay to depart

from a variable, undefined policy with regard to sheltering political refugees in concessions and, in effect, to permit the turning over of refugees, political or criminal, so long as they are charged with crime by the Chinese. In other words to replace one variable practice by another but more conveniently variable one. This permits consuls to employ their personal influence in protecting friendly political refugees and yet prevents crises such as that in Hankow by permitting the turning over even of innocent refugees, if the Chinese authorities are insistent, by the mere device of accepting a charge of crime. The consul was instructed to make apologies sufficient to appease the Chinese with no too great regard for French face. By availing himself of the desire in Nanking to arrive at a settlement of the Nanking affair, the latter regime was induced to deny that any official charge of bribery had been made by the commander at Hankow.

This was a hasty settlement of a situation which might easily have become very serious, had it been unduly delayed. It indicates the flexibility of French diplomacy as contrasted with British diplomacy which in similar instances would be embarrassed by certain obstructing principles of justice, and propriety of procedure; embarrassed both by the search for precedent and the timid fear of establishing a dangerous new one. The British would prevent forever the recurrence of a problem; the French consider sufficient unto the day the evils thereof. The French are handicapped by no rule of thumb, nor is their employment of exalted phrases in the slightest impaired by the fact that dubious methods have been resorted to. French diplomatists must be ever wary or they are lost; no groove keeps them to a general direction.

<u>$10,000,000 Drive</u>.

The American public is to be approached with a drive for $10,000,000 for the China International Relief Commission. Its genesis is to be sought in hazy motives some of which undeniably are emotion, promotion, desire for publicity and, in some instances, desire for jobs.

Many prominent Americans who for some reason cannot or do not deny the prestige of their names to any organized drive purporting to be charitable or altruistic are duly listed as sponsors. Enough individuals in China see pleasurable employment disappearing and ex-missionaries and other China hands in America crave re-employment to view the drive as a real opportunity for service. Assisting in the collection and disbursing of $10,000,000 is no mean task to be associated with.

The drive having been launched for famine relief, it became fitting to find a famine. The chronic condition in Shantung aggravated by locusts, droughts and a vicious administration has been singled out as the foundation for the emotional appeal to the charitably inclined at home where the usual methods of intimidation and directed embarrassment fail. Various local representatives of the famine relief movement have visited Shantung and the actual conditions viewed hardly warranted a genuine impulse to vivid descriptions. These representatives are honest and it has become necessary to employ a capable British journalist to visit the alleged famine area to produce a certain amount of copy to assist the cause in America. It so happens that this journalist is a very conscientious man as well as a good writer and it would be unjust to impute that he was chosen for any but the first mentioned qualification.

There is a considerable amount of supposition as to the motives among those gentlemen responsible for the drive. Sufficient facts are known to cause a disinterested observer to question the propriety of approaching the American people to contribute so generously to a cause which is created less by acute, widespread suffering than by the desire to engage in experiments the immediate and certain benefits of which will accrue only to certain custodians of the funds. It makes little difference if the wealthy make contributions which will not be missed and result in temporary immunity from professional drive secretaries. But missionaries temporarily idle at home who have been

rudely expelled from China will approach parishioners and by emotional appeal will extract money badly needed by the parishioners themselves, thereby deriving considerable satisfaction in engaging in more or less normal missionary activity. If motor car manufacturers can see a return of $10,000,000 from such roads as might be completed by the relief committees then the whole contribution should be covered by them as a reasonable speculative venture. No justification is seen in thus mixing charity and business without an admission of the fact. Nor should the public, which has been rudely disillusioned in their zeal for contributing to foreign missionary work be deceived into sustaining missionary organizations under another name.

I have gathered from conversations with the engineer of the China International Relief Commission, as nearly as I can follow his disconnected flow of words, that in order to maintain funds for the Commission permitting a continuance of its activities and the American control of the committee, involving incidentally the engineer's own lucrative job, he had proposed the raising of $100,000. This proposal was seized upon by a group which generally are identified as missionary educators, emotionalists and China enthusiasts in the China Society whose vision was not so limited, and the figures ultimately were multiplied by 100. Whether American business men were enlisted in the early organization of the scheme is not known. Among the possibilities resulting from the drive certainly are mentioned large business in American goods, employment of American engineers and supervisors, American political control over what once was conceived as an international commission; in a word promotion in charity garb. The emotionalists foresee an outpouring of Chinese appreciation, favor and affection Americanward, which to such men are no less sweet in that they are intangible and highly speculative assets. It must be noted that the essential idea of the drive is famine relief and the famine is identifiable only in the

realization of something aspired to by very idealistic Americans, Americans who have lived so long in China that they, like Chinese, find greater gratification in form than in substance.

The more practical missionaries and educationalists foresee not only the intangible assets from the distribution of largess, but they seem to perceive convincing arguments to stress and very material fulcrums upon which to exert pressure to pay their way back into favorable position in the Chinese hearts from which they were dispossessed by the more dynamic Bolsheviks. And by regaining lost prestige in China through their identification with the expenditure of charity funds they can again work back into the financial currents in America to maintain the scale of their pre-Bolshevik activities, which depended wholly upon an uninterrupted flow of American contributions. A practical business analysis of the net benefits of missionary expenditures in China, occasioned by the precipitate and wholesale flight of cultural workers in the spring of 1927, forced upon missionaries and mission educationalists the discovery of a new appeal to American givers or ultimate extinction. The famine relief appeal, by a development of all of its possibilities, offered to many derelicts of the Nationalist revolution now in America an opportunity of returning to China to labors more in keeping with reformist tastes.

It is thus seen that many individuals of varied tastes and varied occupations find it seemingly advisable to turn to with enthusiasm to back the drive for the China International Relief Commission. Assuming the sum total of admirable motives responsible for the drive is greater than the total based on personal pride and personal profit, the benefits to Sino-American relations still remain a dubious quantity because of the suspicion, enmity and concomitant politics involved in distribution $20,000,000 Mexican dollars in China for whatsoever cause. The Chinese attitude toward the experiment will certainly be based on an appreciation and knowledge of all the less noble motives which

inspired the drive, a complete misinterpretation of the motives of Americans who contributed and a keen desire to enjoy direct or indirect personal benefits from the disbursements. Other foreigners in China will be unanimously critical of or antagonistic to whatever motive stands out most clearly to them in this new manifestation of American madness. As mentioned before, the whole scheme bristles with emotion, promotion, jobs and even a suggestion of imperialism ill-disguised. No benefits can be foreseen to America in this drive and American givers can hope to enjoy only the satisfaction of sacrifice.

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1928
205-5-622
WAR DEPARTMENT

COMMENT ON CURRENT EVENTS

April 15-30, 1928

1. General.
2. Nationalism as a Factor.
3. The Military Situation.
4. Japanese Division to Shantung.
5. Settlement of Acute Railway Question.
6. Nationalism's Debt to Foreign Concessions.
7. $10,000,000 Drive.

RECEIVED G/2 W. D. JUN 14 1928

1. General.

The steady progress of the Nationalist armies in Shantung to the vicinity of Tsinanfu, the debacle of Sun Chuan-fang and the complete disintegration of the Shantung forces are the outstanding events of the period. Feng Yu-hsiang not only was held by Fengtien in the vicinity of Changte on the Kin-Han railway but had to recall the forces of Lu Chinglin, which had been operating in the direction of Tsinanfu, to maintain his position. Shansi remained securely bottled up.

The Japanese despatched a division of 5000 men to the Tsinanfu-Tsingtao railway to protect their nationals and property in Shantung. In the stress of the times the Fengtien authorities settled the acute railway questions in Manchuria in a manner satisfactory to the Japanese. All other events were insignificant or related to the activities in North and South in connection with the prosecution of the war.

2. Nationalism as a Factor.

As one in China enters upon the task of commenting upon "the situation", he invariably feels an urge to employ unmodified language in denunciation of the ineptitude and vices of either the North or South and restrained praise of the accomplishments of the other. Depending upon the vivid influences most recently at work upon the observer such generalizations are understandable, if rarely justified. However, such indulgence upon the part of the observer is usually penalized when he is incautious enough to review his written opinion at a later date and

discovers that he has assigned virtues where vices exist and vice-versa. Since opinions in this regard are so often reversed there must be a mean which is nearer the truth about China than one generally finds expressed. Since, however, vices in political and sociological affairs in China predominate over virtues one is forced to the conclusion that conditions in North and South are much the same and that both, from our point of view, are undeniably bad.

This conclusion would seem to be justified by the extreme hesitancy with which observers permit themselves the variety of praising the works of Chinese individuals or groups or of expressing optimism in regard to Chinese movements. Certainly no observer has failed to suffer that disillusionment which follows any expression of unrestrained enthusiasm for individuals or movements in China. What Chinese figure in public life in recent times has not ultimately proved himself either wicked, weak or ignorantly incompetent? What movement, however worthwhile, has not been seized upon by unworthy political groups and been changed into a vehicle for selfish aims? Nor can the argument be admitted that this has been so in every country. In China selfish, unpatriotic motives not only have racial roots but persist unduly as a result of centuries of philosophic teaching as well.

Conscious of the foregoing mental reservations, the events of the past month do nevertheless force one to concede unusual accomplishments to the movement called Nationalism. While I differentiate quite definitely between nationalism, which is a stirring monopolized by no party and confined to no section of the country, and professional nationalists, there is no denying that the Kuomintang Party, which is distinctly a product of South China, gives the direction to and hastens the spread of nationalism. This credit must be given to the Kuomintang, the continuity of which and the general principles of which persist in spite of the atrocious blunders and often lack of integrity of its

leaders. The Kuomintang Party, especially that group, predominantly Cantonese, who were once closest to Sun Yat-sen and who now are symbolized by Nanking, alone expresses the vague desires of the Chinese people everywhere for a freedom from real oppression within and largely fancied oppression from without. Whatever the confusing interludes and intelligible political interruptions which have taken place since 1911, the small flame of genuine nationalism has been kept burning by a small group within the Kuomintang Party and the generality of politically conscious Chinese entertain a sentiment for this group even while for momentary advantages they combat with arms the military protectors of the Kuomintang.

Without an acceptance of the foregoing general idea, it is difficult to explain the momentous events beginning in 1926 and continuing into the recent invasion of Shantung by men from the south. From a purely military point of view, denying a very appreciable spread of idealism expressed in nationalism, there is no explanation for the gradual disintegration of military resistance over a large area of China before otherwise mediocre troops. Every estimate of what should be expected based on purely military principles has proved faulty in the past two years. Most estimates of observers based on a sound knowledge of the motives of the principal military figures likewise have been faulty due to a natural inability or loathfulness to assign a proper value to this intangible morale factor which has caught the imagination of the people and even stupid soldiers on both sides of a battle front. It would be extravagant to state that the usual motives of military leaders are abruptly changing or that the time-worn customs which peculiarly influence Chinese situations have disappeared. Nor is it facing facts to overdo the tempting generalizations often heard, such as, "War in China is a business", "Soldiers fight for a rice bowl", etc. It must be conceded that military success has of late been rather consistently on the side

of the organizations where the commanders have at least convinced their soldiers that they are fighting for a cause. No soldier in the North can offer any explanation for his presence at the front other than mere livelihood or impressment.

It begins to appear that whatever temporary setback may come to the Nationalist armies, the purely military factors would indicate that Fengtien troops should yet cause great obstacles to complete nationalist success, the nationalist cause has enough of reality and persistency ultimately to spread over the North in spite of military leaders who espouse or reject it for opportunist reasons.

In view of the foregoing, one comments on the military situation with a feeling that by far the greatest weight in assigning combat efficiency must be placed on the morale factor.

3. The Military Situation.

Shantung Front. The end of the period covered by the last Comments saw the complete retreat of Chang Tsung-chang's forces from the southern border of Shantung to the area between Tenghsien and Yenchow. Except for small detachments in the eastern part of Shantung they were all banked up along the Tsin-Pu railway. They had been maneuvered out of their position south of Lincheng with little fighting and were still in reasonably good order.

Sun Chuan-fang, who according to the agreement reached in Peking in March was to operate in the direction of Kaifeng in conjunction with the Fengtien forces on the Kin-Han, apparently followed his own plans and advanced south from the Tsining area with the intention of threatening Hsuchow from the west. According to Ankuochun authorities, Sun was constrained to disregard the original plan due to his own desires and at the urgence of Chang Tsung-chang. At first Sun's advance met with great success. Defeating some Hunan and Hupeh troops in the Yutai-Fenghsien

area he appears to have approached Tangshan on the Feng-tai railway, where he was attacked by the new famous Iron Army (4th) of Chang Fa-kuei and badly defeated. Meanwhile, his thinly held lines facing west in front of Tsining were driven in and his north flank was turned by Kuominchun cavalry which captured his base on Tsining on April 16th or 17th. From this time Sun's main force was cut off south of that place and so far as is known disappeared as a factor in the situation.

The fall of Tsining and the approach of very light Kuominchun forces, probably only cavalry, toward Fengchow created consternation among the Shantung troops to the south of that junction and what was once an army of some 50,000 men retreated north without order and without notable disorder, as only Chinese crowds can. They simply moved north generally along the railway, leaderless, looking for food. All contact was lost. The nationalists did not or could not keep up. At Taian an attempt was made to reassemble the Shantung organizations. The men were weary and purposeless. They do not even seem to have committed violences en-route. They wanted food but there was no fight in them. An attempt was made to organize a defense at Chiehshou, 15 miles north of Taian and apparently some ineffective entrenching was done there with what few organizations had not been involved in the rout.

On or about April 24th, it appears that some Kuominchun cavalry or possibly mounted bandits appeared at Taian. The Shantung troops immediately retreated but the nationalists did not occupy the city. Later some Shantung troops temporarily reoccupied the place, which was however definitely entered by nationalists on April 28th. By this time the Kuominchun cavalry seems to have been recalled by Feng Yu-hsiang, either because of ill-feeling between the nationalists on the Tsin-Pu and the Kuominchun or because Feng needed all of his strength on the Kin-Han. The nationalists had by this time reorganized and continued

their advance, with practically no resistance, to the vicinity of Tsinanfu.

Meanwhile a column, preceeded by a bandit organization, which first was reported at Laiwu worked north via Poshan. On the night of April 28th, a small railway bridge was destroyed near Mingshui and communications between Tsinanfu and Tsingtao were interrupted. The next day the column occupied Mingshui and moved in the direction of Tsinanfu.

On April 30th Tsinanfu was being evacuated by disorganized Shantung soldiery and its early fall was expected. Sun Chuan-fang moved north of the Yellow River with what remains of his former army. Strangely, Sun seems to have retained the confidence of the Ankuochun leaders in spite of his debacle and is retained as a commander. Chang Tsung-chang, the millstone so long borne by the Ankuochun, appears definitely to be abandoned by Chang Tso-lin. He will become merely "an advisor" from now on we were seriously informed in Chang Tso-lin's yamen.

<u>Fengtien Front</u>. Marshal Chang Tso-lin is known to have stated that he knew the worthlessness ofChang Tsung-chang's army but that he had hoped he could hold southern Shantung for a fortnight, after which he did not care what happened there. It was hoped that Fengtien attention could be devoted entirely to crushing Feng Yu-hsiang on the Kin-Han. Chang's confidence in his ability to do this is shown by the fact that the attack on Feng's position at Changte is being maintained in spite of the debacle in Shantung. The only changes in disposition of the Fengtien forces is the building up of a Fengtien force on the Tsin-Pu at Techow drawn from Manchuria and the back areas in northern Chihli. Thus far the Fengtien dispositions on the Kin-Han are unchanged except that Chu Yu-pu has been strengthened in the Taming area by some Fengtien units, which are being replaced by two armies drawn from the 5th Army Group in north Shansi. It is highly improbable that the Fengtien forces on the Kin-Han will remain so far south.

The details of fighting at Changte so far as knownhave been described in Situation Report No. 7257. However the reported Fengtien withdrawal north of the Chang River was incorrect. The fighting has remained near Changte and has been at times very severe. General serious local attacks by both sides have been reported at Niantzekuan, but lately there are indications that Shansi is exerting some pressure there. At Yenmenkwang only local skirmishing is reported.

Taming Front. Chu Yu-pu with his notoriously undisciplined troops in the Taming area not only has continued to hold Taming in spite of numerous reports to the contrary but recently has reoccupied Nanlo, south of Taming. The Kuominchun has as yet not attempted to advance in this area. In view of Chu Yu-pu's weak allegiance to the Ankuochun, except via Chang Tsung-chang, Chu's actions may properly be suspected if Chang be too unceremoniously eliminated.

Miscellaneous. Lack of information prevents any discussion of the situation from the southern point of view. It is not certain that Feng Yu-hsiang has yet employed his best Kuominchun troops at Changte. Ankuochun authorities state they are now beginning to appear.

The Consul-General at Hankow continues to express doubt as to the real intentions of the Wuhan leaders in despatching troops into Honan. He seems dubious about their ultimate employment to assist Feng Yu-hsiang.

Information from Mr. Sokolsky in Shanghai indicates that nationalist officials there have not felt unalloyed joy in the Shantung victories due to their suspicion that Feng Yu-hsiang is playing falsely with them. Feng's past is not such as should warrant any confidence that he will not turn any situation to his own advantage.

No details available warrant any difference in opinions previously expressed regarding the inferior qualities of most of Chiang

Kai-shek's divisions. The Shantung troops are not believed to have offered serious resistance at any point. In fact, if Chang Tsung-chang had held along the southern frontier of Shantung or pushed on Hsuchow it is not unlikely that Sun Chuan-fang's erratic drive would have succeeded in forcing a Nationalist retreat. The nationalist plan to converge their forces on Tsinanfu rather than dispersing them in the direction of Tsingtao was effective. This leads color to a report made to Captain Ratay by a German arms dealer from Shanghai to the effect that one Colonel Bauer, who was in Ludendorff's staff during the war, planned Chiang Kai-shek's campaign for him. The report goes that Colonel Bauer urged a delay in the offensive due to the nationalists' unpreparedness and left Chiang Kai-shek's employ when the latter insisted on an early attack.

4. Japanese Division to Shantung.

The Japanese Government in spite of much criticism at home and formal protests from both Chinese factions, took thoroughgoing measures to protect Japanese lives and interests in Shantung. Three companies, strength about 475 men, were sent from the Tientsin garrison, arriving at Tsinanfu on April 20th. On April 25th, the first detachments of the 6th Division arrived in Tsingtao and immediately proceeded to Tsinan. Units totaling 5,000 arrived during the next two days, some of which were dispatched to points along the railway. Following the cutting of the railway at Mingshui on the 28th, General Fukuda with the remainder of the division moved up to Changtien.

The Japanese Government announced that the object of the troops was only to protect the lives and property of their nationals. The Division Commander published to combatants the foregoing and added that both sides could employ the railway but that he would take such measures as were necessary to keep the line in operation. Thus far there has been no indication that the Japanese have interfered in any way in the Chinese

strife. Whereas the two Chinese governments twice sent protests against the despatch of troops, protests which appeared almost synchronously, and whereas various unofficial bodies in the South issued protests, there has been no real agitation against the Japanese anywhere. That sanity is returning to the Chinese is evidenced by a statement issued by the Mayor of Shanghai in which he advised against boycotts and any mistreatment of Japanese. Such measures, he said, would not affect the power of Japan but might give the Japanese G overnment an excuse for taking stronger measures. He added that the Chinese had no quarrel with the J apanese people, who were friendly to China. The same sort of admonition was issued from Nanking.

5. Settlement of Acute Railway Question.

Due in part to the unfavorable developments in the war and probably in keeping with the general Fengtien policy that Japan is not to be offended when her assistance may be urgently required, the railway questions mentioned in the last Comments were settled in Peking. The return of rolling stock transferred by the Chinese from the Taonan-Angangchi railway, under partial fiscal control of the Japanese, to the Fengtien-Hailung was completed on April 22nd. On April 27th, the agreement providing for through traffic between the Feng-Hai railway and the S.M.R. which had been signed in Mukden but refused by the Ministry of Communications in Peking was duly ratified.

6. Nationalism's Debt to Foreign Concessions.

The endless argument and recriminations which have surrounded the question of Chinese representation on the Shanghai Municipal Council of the International Settlement, recently stilled temporarily by the inclusion of 3 Chinese members, and the question of foreign concessions in general, suggests the following idea.

Without the foreign concessions the Nationalist movement as we know it today would not be possible. In fact nationalism might well have been postponed indefinitely had no refuge been maintained by foreigners. Every potent revolutionist in the Kuomintang Party to my knowledge has once or many times sought refuge in a foreign concession. It is safe to say that had the present leaders of the nationalist movement not availed themselves of the security of the concessions they would be dead, emigres or inarticulate nobodies in their home villages. Only Manchus or their successors the militarists could exist. Without the efforts of the leaders of thought and action in question surely nationalism in China would be a mere idea to be secretly pondered by a few. Nationalism grew under the protection of foreign concessions.

$10,000,000 Drive.

Considerable local controversy has been stirred up over the propriety of approaching the American public for such a large contribution for this form of relief in China. The line of cleavage between those favoring and those against the drive is rather sharply drawn. This line certainly is not between those charitably inclined and those who are uncharitable, those who would offer relief to genuine famine victims and those who turn their heads from suffering. There is a tendency on the part of the local promoters of the drive to put it on some such emotional basis. No objection is heard anywhere to offering direct relief to acute famine victims, even when it is appreciated that this relieves symptoms without obviating the cause of the malady. There is considerable objection, however, to the collection and disbursement of huge funds by a group of people many of whose motives, while honest, are hardly direct and many, also honest, who have interests too nearly personal to appear in published objectives of the drive, and still others believed to be incompetent effectively to apply funds to obviate the causes of famine.

Mr. Timperly, British journalist, employed by the committee in America to observe conditions in Shantung and send material which will assist the drive, has found acute suffering in certain areas of Shantung which would have been occasioned by natural causes even without the notorious maladministration in that province. On the score of charity, this situation seems to be deserving of limited funds for relief. Mr. Timperly, judging from his local articles, also has listed chronic evils and instances of suffering which could be duplicated in every province in China at any time. He has described particular instances of suffering which could as easily be found among the daily string of free patients at the Rockfeller Hospital in Peking, among rickshaw coolies in Peking and frequently among the ill-paid local police force.

Granting the need of relief money for certain hsiens in Shantung, the whole of China cries for relief from widespread suffering such as can scarcely be comprehended in America. This condition cannot be relieved nor scarcely affected by limited charity doles for acute cases nor by $10,000,000 disbursed by committees swayed by so many motives, influences and emotions as those evidenced in this unofficial attempt at helping China. More unofficial assistance in the way of money, roads, dykes and outright charity has been supplied by foreigners in Shantung perhaps than in any other province and yet Shantung always needs help. The present exodus of starving people from Shantung to Manchuria, heart-rending as are the circumstances attending it, is probably a solution following natural laws which will accomplish infinitely more than charity, which perpetuates over population and sometimes permits even further maladministration.

The widespread distress and suffering in China can be eliminated by economic reforms which in turn are possible only when Chinese governmental agencies, national and provincial, accomplish such reforms. Those

who would help China had best devote their efforts to educating the West to face facts in China. One of these facts is that a government in China must cure China. Another fact is believed to be that only governments in the West, not charitable individuals or agencies, can place the government in China in position where it can effect economic stability. Call it rehabilitation or whatever you will, until western nations constructively intervene in China the masses of Chinese people will be victims of actual hunger.

It is an illogicality which cannot be escaped, namely, that those foreigners who most loudly clamor for charity from abroad to eliminate suffering which they admit results from Chinese incompetence, ignorance or viciousness are most articulate in denouncing any form of restraint in certain situations imposed upon China by those nations whose superiority has rendered them eligible to be the source from which charity is wrung.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

May, 1928.

RECEIVED G/2 W. D. JUL 23 1928

The Unexpected Happened at Tsinanfu.

During the month of May there were momentous developments in China. Many of the occurrences were not foreseen and it is impossible to assign causes for much that happened. The play moved in spite of the actors. The first of the Nationalist troops entered Tsinanfu on May 1st, having followed instead of fought the disorganized hordes of Chang Tsung-chang. They found there Japanese troops, the propriety of whose presence has been endlessly discussed but the answer to which question will remain always unknown. The details of the clash which followed have been fully covered in Report No.7269, and in the excellent consular reports from Tsinan. The responsibility for the clash which followed is a highly controversial point which also will remain a matter of individual opinion. Certainly the responsibility was divided, but the important feature regarding which best opinion is unanimous is that neither the Chinese nor Japanese desired the collision - it was an unexpected accident. This accident changed the whole complexion of the situation at that time, particularly as regarded the plans of the Japanese Cabinet and the Chiang Kai-shek faction of the Nationalist Government.

Confusion Results Among Chinese Factions.

While the pathetic aspect of the cumbersome Chinese military machine rendered useless in the face of a small modern fighting force should not be accepted as a true index of the relative fighting qualities of the two peoples, it nevertheless is true that Chiang Kai-shek's organization was shown up as a spectre rather than a real force, and

in the eyes of the Chinese his military prestige disappeared and his political position became greatly impaired. Chiang Kai-shek's force was confused in the presence of a handful of determined Japanese, his rail communications were blocked and his armies advancing via the Tsin-Pu railway ceased to be a factor in the Northern Expedition. The whole Nationalist camp was thrown into confusion by the Tsinan affair. The North too was perplexed. With victory almost within his grasp by the successes against Feng Yu-hsiang at Changteh, two factors forced Chang Tso-lin to begin withdrawing along the Kin-Han railway. From a military point of view, the debacle in Shantung left no organized resistance between Tsinanfu and Tientsin, the bottle-neck of the North. Even though Chang Tso-lin had realized the complete inability of the Nationalist Army in Shantung to pursue its successes, it would have been fatal from a political point of view to take advantage of the Japanese-created situation to have pressed his attacks in Honan. Public opinion would have condemned him as an ally of the Japanese. Chang Tso-lin issued his circular telegram on May 9th, stating in effect that in view of the common cause created by outside interference fighting should cease between North and South; and to show good faith began his withdrawal from all fronts. This beau geste, or act of weakness, as the case may be, gave the Nationalists time for recovery. After numerous conferences, Nationalist militarists, less Chiang Kai-shek, availed themselves of the gratuitous territory. Yen Hsi-shan, his eastern passes freed, moved into the Chihli plain and both he and Feng Yu-hsiang closed in ever so deliberately upon Fengtien forces near Paotingfu while Kuominchun cavalry detachments operated further to the east.

Japan's Plans Go Awry.

Japan was no less astonished by the sudden clash at Tsinanfu than were the Chinese combatants. There are many indications that considerable progress had been made toward an agreement between Chiang

Kai-shek's faction of the Nanking regime and Japan providing for a liberal attitude of the former toward Japan's problems in China in return for moral assistance which Japan was in position to render to the Northern Expedition. No facts are available as to the completeness of understandings or agreements which may have been reached between Chiang Kai-shek and Tokyo but it is generally believed that Japan was prepared to employ moral suasion, and physical pressure if need be, to assist the Nationalists to occupy Peking. Nationalist morale was low; there was no confidence anywhere in the South that Chiang Kai-shek could make good his Northern Expedition, and without success in this venture Chiang was politically lost. In such political extremities great compromises are made. It is believed that Japan was able to effect more reasonable concessions regarding her outstanding questions in China with a desperate faction than she had ever been able to exact from the recalcitrant Chang Tso-lin. Local Japanese official opinion led one to believe that the Japanese were gradually preparing to shear Chang Tso-lin of his national habiliments and force him to assume modest provincial garb north of the Wall. It seems that the Japanese plan was concerned not only with the strengthening of a friendly faction but the curtailment of the influence of Feng Yu-hsiang.

Then came the accident of Tsinan. Effective and somewhat drastic action by the troops accompanied by an ultimatum of the local commander almost impossible of accomplishment brought forth a natural and widespread resentment everywhere in China. It also made cooperation between Nanking and Japan impossible for the time being. The determined action of the Japanese troops at Tsinanfu and their prompt reinforcement, however, were sufficient to cause Chinese authorities of all factions to discourage and prevent anti-Japanese agitation. The slightest vacillation on Japan's part at this time would have resulted in a burst of uncontrolled agitation. Japan clearly meant business and the Chinese

smothered their anger as they always do when faced with determination which they themselves cannot equal. Japan's firm and continuous show of force spared her many embarrassments in the way of violence to her subjects and boycotting of her goods. Nevertheless, the Tsinan affair put her at pains to prove to the Chinese people that she was not antagonistic to the Nationalist cause and this probably resulted in her ultimate renewed determination to eliminate Chang Tso-lin; to sacrifice the Old Marshal on the altar of Nationalist opinion.

Effects of the Tsinan Clash.

During the confusion caused by the Tsinan affair to all factions of Nationalists, the one leader whose power was feared by all the factions and the Japanese, Feng Yu-hsiang, emerged with added prestige. Leaders who formerly were sparring for the weakening of rivals within the Nationalist area now were momentarily forced to leave off their personal intrigues to avoid the stigma of being branded unpatriotic. This provided valuable time during which Feng repaired his political fences.

The Tsinan clash then greatly weakened Chiang Kai-shek, relatively enhanced the prestige of Feng Yu-hsiang, made imperative Japan's encouragement of the Northern Expedition in order to neutralize to some extent Nationalist hatred, prevented the Fengtien armies from pushing their success against Feng Yu-hsiang, and gave the Nationalists much gratuitous territory. With Chiang Kai-shek impotent to advance on Peking, Feng loomed as the most likely man to appear there.

The New Plan.

It was at this time that all Chinese factions, and it seems Japanese officials as well, began urging the ascendancy of Yen Hsi-shan as the best means of circumventing Feng's aspirations. Gradually negotiators appeared in Peking from everywhere. Even old Anfu Party men and Chihli Party members refugeeing in Tientsin began to cast hopeful

glances at the band-wagon. Chiang Kai-shek and Yen Hsi-shan wanted to attain Peking without fighting, all factions and the Japanese wished to prevent Feng Yu-hsiang from emerging victorious, a liberal group in the Fengtien Party, either through conviction or in the hope of maintaining their own existence, negotiated to join the anti-Feng Nationalists. Japan wanted some credit and some benefits for assisting in this solution. The big obstacle was the group of reactionary Fengtien leaders who exerted great influence over Chang Tso-lin. These had to be eliminated together with Chang himself who long had been the symbol of Fengtien reactionary-ism. He therefore had to return to Manchuria together with the Kirin and Heilungchiang armies of his old time leaders, and the Chihli-Shantung hordes had to be dispersed. Chang Hsueh-liang and Yang Yu-ting had become convinced that it was time to accept the inevitable symbols of nationalism. But Chang Tso-lin resisted his relegation to oblivion in Manchuria. He had confidence in his armies and an appreciation of the weaknesses in the South. Chang Hsueh-liang and Yang Yu-ting could not persuade the Marshal voluntarily to retire and ethics forbade an open rebellion against him. Their armies had already retired north of Shihkiachwang and permitted Yen Hsi-shan to emerge from Shansi, and Feng Yu-hsiang was closely following up the withdrawal. Chiang Kai-shek, militarily weak to begin with, was rendered impotent by the Tsinan affair and his only recourse was to negotiate alliances against Feng Yu-hsiang. Here is where Japan could suitably re-enter the situation, and she did.

Japan Intrudes.

On May 18th the Ambassadors in Tokyo were given a statement by the Foreign Office in connection with a note to be presented to the three Nationalist commanders and to Chang Tso-lin the next day. The note essentially stated that Japan would take whatever measures were

necessary even in North China, to prevent disorder from spreading to Manchuria. It was explained to the Ambassadors that Japan would not permit C hinese armies to retreat fighting into Manchuria and that such measures as the military situation dictated would be taken at Shanhaikwan or elsewhere to prevent defeated armies from disturbing the peace of Manchuria. The Japanese spokesman sugar-coated for foreign offices the announcement of a protectorate with the tempting information that Japan would prevent danger to foreigners in the Peking-Tientsin area, and significantly added that the effect of the note doubtless would be to cause the voluntary withdrawal of Chang Tso-lin to Manchuria and the peaceful occupation of Peking by the Nationalists. Rather than keeping the announcement a secret Japan permitted diplomatic containers to leak this information at every seam. Japan clearly began to actuate all her means in China to remove the principal obstruction to an agreement which was desired by practically all Chinese factions except the reactionary Fengtien-ites, who incidentally had caused Japan much irritation in Manchuria, and the Kuominchun, which is the most openly anti-Japanese of all factions. A very complicated Chinese situation was now overlaid by almost equally perplexing Japanese intriguingforces. If Japan assisted the Nationalists, other than Feng Yu-hsiang, to obtain Peking, the enmities created by Tsinanfu would partly be wiped out and a "government of all China" would feel under obligations to listen to reason regarding Manchuria, be patient with Japan's demands concerning tariff rates on Japan's cheap goods and probably go slowly in disavowing the bad-smelling Nishihara Loans. Assuming Japan's plans were not nearly so far-sighted, by her unneutral activities in forcing back to the Manchurian provinces an otherwise strong military obstruction to Nationalist success she would at least be somewhat compensated by forestalling disorders in Manchuria and by mitigating the feeling occasioned by the accident at Tsinanfu.

The developments in the Chinese situation are inexplicable without taking into account the Japanese intrusion into China's affairs. Following the note of May 19th, defeatist propaganda was widely spread in the Fengtien area by all Japanese agencies. This was done so methodically and so persistently that there can be little doubt of its official instigation. Japanese military officials everywhere spread alarmin g acounts of Southern strength and Fengtien weakensses at a time when certainly there was no justification for the reports. Japanese diplomatic representatives brought pressure on Chang Tso-lin and urged his peaceful retirement. There were rumors that Japanese money was passed to some of the Fengtien commanders. Certainly Japanese influence played a large part in the breakdown of Fengtien resistance. Vacillation became noticeable among the Fengtien militarists who otherwise were well disposed to give the Nationalists a good account of themselves in battle. Chang Tso-lin himself alternately would weaken and then become stubborn. Agents of Chiang Kai-shek and Yen Hsi-shan were busy with the Fengtien subordinates, especially with Yang Yu-ting and Chang Hsueh-liang. The Old Marshal insisted on fighting it out but one after another of his subordinates began to plead the futility of further resistance and resorted to false reports as to the fighting efficiency of their troops. Faced with direct Japanese pressure and with disloyalty in his armies, Chang Tso-lin still refused to withdraw. His boldness surprised and confused his enemies.

According to recent information, believed to be generally correct, the unexpected and unnecessary withdrawal from Paotingfu on May 28th was made by order of the Young General and Yang Yu-ting for the purpose of bringing the final pressure to force Chang Tso-lin to depart for Mukden. Still the Marshal insisted upon fighting in spite of J apanese pressure and the insistence of his semi-loyal subordinates.

The continued withdrawals nearer to Peking which failed to accomplish the necessary intimidation upon the Marshal did however destroy all confidence throughout the Fengtien Third and Fourth Armies. Finally Nanking became impatient with the inability of Chang Hsueh-liang and Yang Yu-ting to play their part. They began to doubt the ability of the liberal Fengtien-ites and the efficiency of their armies to act as a buffer to Feng Yu-hsiang, and it is said that negotiations were abruptly ended by a message from Nanking to Yen Hsi-shan telling him to drive out the Fengtien forces. This occurred however in June, just following the Marshal's long-deferred departure. This message was intercepted and was the occasion for the sudden exit from Peking of Chang Hsueh-liang and Yang Yu-ting, the last of the important Fengtien-ites. Their armies were by this time in full retreat and had practically cleared the Peking area.

2

Thus another C hinese situation was decided not by military action but by a most unscrupulous series of intrigues. In this, a son of no character or ability whatsoever, was disloyal to his own father.

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COMMENT ON CURRENT EVENTS

June, 1928

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2. Exit Chang Tso-lin.
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4. The Manchurian Situation.
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1. General.

In the early morning of June 3rd Chang Tso-lin with considerable remaining dignity departed from Peking on his final trip. With him went the Fengtien Party, for he was the Fengtien Party. His son and Yang Yu-ting, half disloyal to the Marshal, remained in Peking still hoping for news from Nanking appointing them Nationalist officials in charge of the Peking-Tientsin area. No telegram came and their army was ordered to continue its withdrawal to the area between Tongshan and Shanhaikuan. They themselves left Peking on the night of June 4th. Chang Tso-lin never knew the details of the final act in Peking because a well-fired bomb ended his picturesque career as he approached Mukden. He was carried to his old yamen in the early morning of June 4th only in time to die there.

On June 8th, the last Fengtien regiment marched out of the east gate of Peking as Shansi troops entered a west gate. Peking became Nationalist but not a shot was fired. Peking, blase and so long unattainable to the Nationalists, in the last moment submitted without a struggle. The victors seemed depressed with the realization that Peking, the Mistress, had often submitted before, and as often ruined her lovers. There was no exultation anywhere. Peking changed her costume, adopting a modern style, and once more entered upon the sordid process of debasing her conqueror.

Tientsin went through a pretense of resistance conducted by the rabble of Chang Tsung-chang and Chu Yu-pu, but after a little timid looting and hasty shifting of allegiances, Shansi officials on June 12th took

over the city. The remnants of the Chihli-Shantung armies which did not join Yen Hsi-shan drifted off to the northeast of Tientsin.

Even when the Great Northern Expedition was a military campaign there was a tendency among the three contestants to race for Peking. Tsinanfu put Chiang Kai-shek out of the race and from that time the expedition degenerated into a political maneuver. Feng Yu-hsiang's troops, which had conserved their strength at Shansi's expense in the fighting about Paotingfu, dashed ahead in the race but found themselves constrained to observe the finish and wave ahead the second contestant who was chosen by the crowd to be victor. Han Fu-chu with a small force arrived at the outskirts of Peking on June 6th when Yen Hsi-shan's leading elements were still at Changsintien, but the Kuominchun desisted from entering the city. A few days later the Kuominchun forces all along the Peking-Tientsin line were withdrawn to the south where they now observe the situation. Feng, for his own reasons, found it expedient to carry out agreements arrived at in Chengchow in May or the mandate from Nanking appointing Yen Hsi-shan Garrison Commander of the Peking-Tientsin area.

Elements of the First, Second and Third Groups of Armies approached the Tientsin-Peking area in order from east to west. After the Fengtien armies cleared the area and those elements of the Chihli-Shantung armies which did not go over to Yen Hsi-shan moved northwest of Tientsin, only the Third Group of Armies, Yen Hsi-shan, remained in occupancy of the area. On June 12th the first units of Pai Chung-hsi's expedition of some 60,000 men from the Fourth Group of Armies began to appear around Peking. This belated contribution to the Northern Expedition with its ambitious and aggressive commander introduced a novel element into the situation. Pai Chung-hsi himself undoubtedly an open antagonist of Chiang Kai-shek, was nevertheless welcomed by Chiang and Yen as a check on Feng Yu-hsiang. More will be heard of Pai Chung-hsi who is making numerous political speeches and playing for big honors.

and where nepotism is still stronger than allegiance to party or country, the condition is indescribable. Each office is sought by numerous individuals, individuals impelled by no foolish desire for honors but by sheer rice-bowl necessity. Foreigners can grasp only the superficial evidences of the struggle. On the surface appearances are as calm as tropical waters in which the struggle for existence among the fish is imperative, deadly and ceaseless.

2. Exit Chang Tso-lin.

It would be pleasing to record that Chang Tso-lin and his Fengtien Party of reactionaries fell before the forces of righteousness and liberalism. Or, as expressed by a local journalist, they withered before "The Idea". Without suggesting that national consciousness is not slowly developing in China, it can nevertheless be stated that what has just been witnessed in China is a monotonous repetition of what has happened often before. A political party supported by a military force crashed as a result of the weaknesses developed among its personnel through their inherent inability to withstand the degenerating influences of temporary success and power. When such inherent weaknesses begin to appear no Chinese party can withstand the stresses set up by any organized opposition, even the most materialistic. No idealism is necessary to cause the downfall of a Chinese party when its own worms have eaten its pillars. If the attack of the Nationalists and their Idea had failed to materialize, some opposition perhaps even more reactionary, might well have upset the group about Chang Tso-lin who had tasted wealth their allotted time. Sordid buying and selling, desire to remain in power, betrayals - all of these concomitants of previous downfalls suddenly became evident in the Fengtien Party. At the last nothing remained but the will of Chang Tso-lin. The various military factions now conveniently grouped under the name of Nationalists may in turn rise and fall as has the Fengtien Party.

The last half of the month has been a confusing period of military and political shaking down. The Northern armies have withdrawn unmolested. Yen Hsi-shan's and Fai C hung-hsi's troops have settled in the Peking-Tientsin area. The reorganization of a heterogeneous group of ex-Northern units is in progress under Yen Hsi-shan's direction. The question of eliminating the Fengtien armies for the moment is academic. The readjustment of the civil administration has been accompanied by confusion, some ill-feeling and a great amount of over-lapping of authority, assumed or real. At the end of the month it may be said that there exists no definable civil administration, although the area overflows with administrators. In any country but China chaos with violence would be inevitable. Here is chaos aplenty and friction everywhere but no violence whatsoever. The situation is extraordinary; the mass of people go about their work and patiently wait; the numberless "authorities", big and small, struggle for positions, and not a single administrative function of government actually is operative.

Overnight the personnel of national, regional and local governmental agencies either disappeared or had their appointments automatically cancelled. Yen Hsi-shan, Nanking's appointee as Garrison Commander, immediately set to work appointing civil officials in key positions. A few days later C hiang Tso-pin appeared with his committee for the administration of the war zone, a legal Nanking agency but packed with carpet-baggers nevertheless. On top of this, each train brings in special representatives of the various ministers or councils in Nanking with mandates to relieve the temporary war zone special committee. The dispositions of the military commander in the zone of operations, the dispositions of the special committee for administering the war zone and those of Nanking for the permanent civil administration at present are coexistent in Peking and Tientsin. If every official were a self-effacing patriot confusion could not be avoided. Here where factional feeling is strong, where few officials are self-effacing,

Many years must elapse before The Idea becomes so prevalent that a central civil authority in China will cease to be subservient to the military dictator who momentarily happens to be in the ascendancy.

As was mentioned in the last Comments, Chang Tso-lin left Peking under pressure from his cautious and reactionary older subordinates, under pressure from the Japanese, exerted directly and through subordinates who are suspected of having been subverted, and finally as a result of the continued retreat of the Fengtien armies whose semi-loyal commanders were playing to remain in power by shifting their allegiance to the Nationalists. It will probably never be known who perpetrated the outrage which resulted in C hang's death. The Chinese generally attribute it to the Japanese. The Japanese charge radical Nationalists with the crime. The most plausible explanation is that certain Chinese and Japanese, the latter possibly unofficial, who for various reasons stood to gain by Chang's elimination, prepared the plot. There seems little doubt in view of the circumstances surrounding the Japanese security measures on the night preceding the outrage that the Japanese guards or their officers were aware of the plot. The technical skill displayed points to Japanese collusion.

3. Reaction to Nationalist Occupancy.

The details of the Nationalist occupancy are covered in Situation Report No. 7281.

It was very noticeable that there was not the slightest suggestion of enthusiasm on the part of the populace upon the entry of the Shansi garrison troops. The new flags automatically appeared but normal police regulations would account for these in such instances. It is true that the Committee of Safety and the Shansi authorities announced that all demonstrations would be strictly forbidden but one could not sense that the public desired to demonstrate. How different were the victorious

entries into Southern cities a year ago! Nationalism, of the Russian stimulated brand, has been diluted out of all recognition. Northern Chinese are more placid, even in revolution, than the Southerners. Peking has so often changed hands, The Nationalist conquest may be different but the Northern Chinese have to be convinced by deeds. Peking was blase in the face of reform programs before the Northern Expedition was conceived. Not a single picture of Sun Yat-sen has yet appeared in Peking shops.

Yen Hsi-shan has consistently been a peaceful revolutionary. All of his announcements have been designed to prevent lawlessness in any form. His troops have conducted themselves admirably and there has not been a suggestion of anti-foreignism. Yen paid calls on foreign representatives and reiterated his previously announced moderate ideas regarding the revolution and his hopes for foreign sympathy and conciliation. Yen has a fine revolutionary record which has consisted in marked departures from Chinese traditional ideas, always with a view to constructive accomplishments. He is the only revolutionary leader who can boast that the people of his province of all classes are beneficiaries and not victims of his revolutionary zeal. The people of Chihli welcomed Yen Hsi-shan himself.

The sequence of events since the arrival of the carpet baggers from the South have rather dampened what hopes had been stirred. In addition to the over-lapping of "authorities" and the struggle for posts previously mentioned, levies upon the merchants are frequent and are accompanied by subtle forms of intimidation which prevent publicity. Political agents and propagandists are beginning to work among students and laborers. Thus far the general aims and extent of the attempts to stir the political and social consciousness of the people are not evident. It would appear that the apathy of Northern Chinese is the cause of considerable surprise to the youthful Kuomintang enthusiasts who have long been subject to the high-pressure, cheer-leading methods of incitement

introduced by the Russians. The San Min Chu I is an idle phrase to the Northern Chinese. The poor body of Sun Yat-sen, floating in Standard Oil Company liquid paraffin at Pi Yun Ssu, makes more of an appeal to the curiosity than to the emotions of those Chinese whose symbolistic nature has not yet been stirred by the imitators of the Leninists.

4. <u>The Manchurian Situation</u>.

Chang Tso-lin's death was kept a secret in order to prevent disorders prior to such time as a successor could be installed in Manchuria. The son of Wu Chung-shen, Tuchun of Heilungchiang who was killed in the bomb outrage, assumed the responsibility for order in his father's province, but Wan Fu-lin, Commander of the 8th Army, later was appointed governor and successfully assumed office in Tsitsihar. The Governor of Kirin, Chang Tso-hsiang, was the first important Fengtien leader in Mukden after Chang Tso-lin's death and was mentioned as his successor. However, after negotiations, the details of which are not known, Chang Hsueh-liang was appointed by a mandate of his father (then dead) Governor of Fengtien and he assumed office on June 19th. The Marshal's death, which actually occurred on June 4th, was then officially announced as having occurred on June 21st. No supreme authority over the Three Eastern Provinces now exists.

Following the retreat of the Manchurian armies, it now appears that most of the Kirin and Heilungchiang troops which once constituted the 5th Army Group were permitted to continue into their respective provinces. Most units of the Third and Fourth Army Group stopped in the area between Tongshan and the Wall where they now are and where they are being joined by what remains of the forces of Sun Chuan-fang. The object of this concentration is not understood. The construction of positions along the Luan River indicates that an attempt will be made to resist Nationalist advance in the area. With a view to preventing all chances of disorders in Manchuria, Japan has exerted a controlling influence over

the recent political and military dispositions both in Manchuria and in the covering armies along the Peking-Mukden railway. Japanese troops at C hinwangtao and Shanhaikuan have acted in the capacity of traffic policemen for the Manchurian forces and, from all appearances, have practically dictated which of the armed units should enter Manchuria.

In the decision as to the future appointee of generalissimo over the Three Eastern Provinces, J apan's desires will doubtless have preponderant weight. Japan certainly is in position to influence the council of the Fengtien Party in favor of the Japanese choice. The only possibilities thus far named are Chang Tso-hsiang, Governor of Kirin, Yang Yu-ting and Chang Hsueh-liang. The first is persona non grata to the Japanese, the second has too many enemies within the Fengtien Party. Chang Hsueh-liang is only the "Son of his Father". He is a young man who has shown no ability as soldier or politician and now is a victim of sexual excesses and opium. Nevertheless, properly surrounded by shrewd Japanese advisors he might serve Japan's purposes better than would a strong-minded individual. It is as difficult for a dominating personality to succeed to the head of a Chinese party as it is for the same type to be nominated president in our own country. Chang Hsueh-liang, however, were he a half-wit, is the beneficiary of Chinese ethics which places practically every official of the Fengtien Party under obligations to him. Chang Tso-lin, with a view to having his son succeed him, provided that all important appointments and promotions receive the approval of the Young General. This device, however formal, in China is sufficient to impose upon numerous military and civil officials obligations which cannot be disregarded. For this reason Chang Hsueh-liang is expected to succeed his more potent father.

At the end of June negotiations are still in progress to have Manchuria peacefully adopt the symbols of Nationalism. There seems little doubt that Chiang Kai-shek and Yen Hsi-shan are anxious to effect the

turnover under the most liberal terms with a view to enlisting the support of the Fengtien forces as a counterbalance to Feng Yu-hsiang. At the moment the perplexities of the Nationalists due to internal jealousies, and the problems created by Japan which make further military operations difficult, incline the Fengtien Party to adopt an uncompromising attitude toward affairs in China proper. The most recent sentiments expressed in Mukden indicate a decision to proceed with the industrial and political development of a very rich area on independent lines. This may be pure bargaining but viewing the actualities in Manchuria and in Nationalist China there is sufficient evidence to warrant the Fengtien Party in estimating that Nanking has troubles enough for the present without facing the hazards of a Manchurian campaign involving additional international complications. Again one is forced to the conclusion that a major Chinese decision - Manchuria's decision - depends very greatly upon the desire of Japan in the matter.

5. <u>The Nationalist Regime Today</u>.

To appreciate what is transpiring today a brief and critical estimate of the Nationalist regime must be made. The ultimate authority in China today resides in regional military commanders or military cliques almost as effectively as it did in the Tuchuns, say in 1922. Nanking enjoys some prerogatives of a referee; it has some administrative functions similar to an adjutant general, but her only ability to order is such as is delegated from time to time, not permanently, by military commanders. The most noticeable change which has resulted from the recent revolutionary efforts, when one tears away the cardboard and tinsel, is a lessening of the dictatorial powers of the individual militarist and a reluctant distribution of such arbitrary powers to groups or cliques. Feng Yu-hsiang is the only remaining dictator who defers to none of his coterie. The death of Chang Tso-lin places ultimate decisions of the Fengtien Party in a council rather than in arbitrary decree of the generalissimo.

To assume that the people have as yet emerged with authority of course is fantastic. To assume that the one Party in China speaks with authority is almost equally fantastic. The self-appointed, loud speaking theorists and the militarist-appointed politicians grouped at Nanking, together known as the Nationalist Government, exert no appreciable degree of authority in any region of China. There being no authority in Nanking, to speak of a unified control exercised from Nanking is considered by all Chinese as sheer nonsense. Responsible representatives of each group, except Feng Yu-hsiang's, have expressed it almost as baldly as this to me.

No important decision which passed into execution has been made by Nanking that had not previously been dictated to the representatives of the Big Four militarists resident there. Most vital decisions have been arrived at not at Nanking but at the frequent conferences of the militarists themselves, such as that about to be held in Peking. The question arises: Is the Kuomintang Party using militarists or are the militarists using the Kuomintang Party? China has progressed a long way since 1911 if it be conceded that the big militarists are not sufficient unto themselves and that for mutual benefits they have been constrained to avail themselves of a common party organization, however grudgingly they have delegated authority to the organization. Today the militarists undeniably are using the Kuomintang, but that fact alone justifies Nanking. Heretofore single militarists have employed party organizations for their own purposes; today all the important militarists in China proper are deferring to the organization, at least in minor matters. This marks a large step toward unity. Much benefit will accrue to China if all foreign powers will recognize that, while unity is yet far from realized, a step in the right direction has been accomplished. Sympathetic appreciation of the facts of the situation rather than serious consideration of the exaggerated claims being made by pretentious young politicians will assist China's progress. Foreign powers which take hasty measures

based on unrealities will only retard a movement which at best can proceed very slowly.

There are instances when through the instrumentalities of the rather hollow Nationalist Government the wishes of three of the militarists have been accepted by the fourth. In other words, Nanking has been a political cockpit in which decisions have been reached by bloodless political games rather than by an arrayal of destructive armed forces. In most vital instances armed forces, potential or in actual maneuver, still are the arbiters of Chinese situations.

The measure of the Kuomintang Party's worth today should be the number of instances in which the hasty recourse to internal strife is prevented. The Kuomintang Party has as yet accomplished nothing discernible in the way of social or economic reconstruction. A survey of conditions all over the South should demonstrate this. All the efforts of the intelligent members have been employed in freeing the Party from the effects of Russia's intrigues and in playing off one of their own militarists, seeking to maintain arbitrary powers, against the other. The rallying calls to effect some degree of unity of action and to obscure their own deficiencies have been denunciation of foreign unequal treaties and northern militarists. The bare facts of lack of unity and failure of internal reform will become more evident as the active resistance provided by the Ankuochun ceases. It is doubtful if the internal friction within the Nationalist ranks can long be obscured by the only remaining outside object of attack, namely, those much maligned but little understood unequal treaties.

6. Feng Yu-hsiang's Position.

Feng Yu-hsiang continues to be the Kuomintang Party's principal bete noire and the most formidable object of suspicion among foreign representatives. His past record of large and petty betrayals makes him the most feared and mistrusted of the Chinese leaders. His shrewdness

and dominating personality have welded the Kuominchun into a cohesive force worthy of constant attention. No one entertains the illusion that Feng can work genuinely in a team for any cause. He is an individualist, a dogmatist and fundamentally dictatorial.

The adherents of Chiang Kai-shek and Yen Hsi-shan ill disguise their fear and mistrust of Feng and yet assert that politically and militarily he is weak. The generality of unbiased observers believe that he is in a strong central position from which he can dart forth and embarrass any of his rivals, that his troops are now the best in China, that through his appointees in Nanking he exerts an undue political influence, and that his underground affiliations with Chinese and Russian Communists give him a strong secret weapon. His Chinese opponents deny all of these factors except the last, and insist that his hold on the provinces of Honan and Shensi is limited to the railway zones and the main thoroughfares while the interior areas are held by antagonistic local chieftans who make constant forays into the railway zones. His revenues thereby are limited and his best troops are of necessity forced to engage in local defensive operations.

Sufficient facts are not available to form a reliable opinion as to the real strength of Feng Yu-hsiang in Nationalist China. No great surprises are to be expected from the other three military commanders; their revolutionary fever charts have levelled off into more or less uniform and moderate curves which may be considered typically Chinese. Feng's disease, still subject to the aggravating influences of his own wilful temperament and excitements, from Chinese and Russian communists, may at any time be expected to manifest startling developments.

Since democratic government in China within any reasonable length of time is purely an illusion and since government by a single party promises years of wasteful bickering - a maximum of politics and a minimum of good government - the emergence of a dictator promises to

be the ultimate desperate hope of the Chinese people. These people crave only a reasonable degree of order; the form of government which provides order is to the Chinese of no consequence whatsoever. Feng Yu-hsiang at present is the only individual on the horizon with the qualities of a possible, benign dictator. Many Chinese today consider him vaguely in this light. It would not be amiss for foreign representatives to observe Feng with minds unprejudiced by theory-of-government fetishes and miss no opportunities of weaning him completely from Soviet Russia. If Feng marches upon Peking, as he might conceivably do, it were better that his soldiers wear black than red shirts. The attitude of foreign powers which in the name of representative government looks patiently on chaos and shrinks from real government under a dictatorship has been of dubious value to China and the world.

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COMMENT ON CURRENT EVENTS

July, 1928

RECEIVED G/2 W.D. SEP 4 1928

1. General.
2. The Militarists Confer in Peking.
3. Lapse of Revolution in Peking.
4. Military Developments.
5. Affairs in Manchuria.
6. Nanking's Plans, Projects and Programs.
7. Nanking's Foreign Relations.

1. General.

The Nationalist leaders circulated widely in North China during July. They conferred, they announced plans. They ironed out some differences and unhappily disclosed others. Most important of all, with the armies of four big chieftans converged on the Chihli coastal plain, and with enemy resistance suddenly lifted, these chieftans kept the peace. For the first time in recent history four big military leaders met face to face in conference. They cleared the ground for the Fifth Plenary Session of the Central Executive Committee of the Party. While the important civilians of the government in semi-official conferences at Shanghai and Nanking were formulating economic and financial plans, projects and programs, the militarists in Peking succeeded in giving neutral status to their recent territorial spoils, made some delicate military adjustments for the immediate future and published their contribution to reconstruction in the form of disbandment plans. By the end of the month the Nationalist forces consisting of contingents from each of the four groups of armies were beginning to close in on the remaining Fengtien and allied forces which are still clinging to Jehol and the northeast corner of Chihli.

Negotiations for bringing Manchuria voluntarily under the Nationalist flag continued all during July but were complicated both by factional jealousy within the Nationalist and Fengtien ranks and by obstacles offered by Japan in retaliation for the pretentious diplomatic

methods of the Nationalist Foreign Minister. Manchuria proceeds with the organization of an independent government which however is notably modified by the political thought and organization of Kuomintang.

A diplomatic step of Nanking fraught with great consequences was the unilateral abrogation of expired commercial treaties in the case of Portugal, Denmark, Italy, France (relative her Asian colonies) and Japan, and the announcement that until "equal" treaties are ratified the status of the nationals of these countries will be fixed by a modus vivendi promulgated by Nanking. Japan, aside from enjoying a technical clause in her t reaty providing in this instance for a continuance of the treaty for ten years from the date of expiration, is in no temper to accept this arbitrary act. What the other countries involved may do is relatively unimportant but profound developments are possible in the relations between China and Japan because of this hasty act. Japan faces China with the Nanking incident unsettled, with no progress made in the settlement of the thorny Tsinan affair, her commercial treaty abrogated and her position in Manchuria technically in the air.

The Nationalist Government has in her perplexity some comfort from her success in having inserted a wedge into the concert of powers by obtaining from America a treaty giving her definite recognition by a major power and in theory at least tariff autonomy.

2. The Militarists Confer in Peking.

Chiang Kai-shek, Commander in Chief and concurrently commander of the First Army Group, and Li Tsung-jen, commander of the Fourth Army Group, arrived in Peking on July 3rd. En route from Hankow they had conferred with Feng Yu-hsiang, Second Army Group Commander, who for political reasons impossible to grasp was feigning illness which would prevent his attending the conference of militarists in Peking. Yen Hsi-shan, Third Army Group Commander, was in Peking as garrison commander of the Peking-Tientsin area.

On July 5th, the Branch Political Council of the Peking-Tientsin area was formed with seven of its thirteen members present. This civil governing body replaced the military government and the special committee for governing war areas which in June were creating confusion by duplicating appointees in many offices. The Branch Political Council in Peking is unique in that it consists of the four army group commanders and prominent members of each military faction. Other branch councils in the several military regions are not coalition councils but consist of members named by the military chief of the region. Nanking duly mandates such members as are suitable to the militarists. Thus the Peking-Tientsin Council, and the Chihli Province Council as well, being coalition, occupies a unique status vis-a-vis Nanking and gives the Central Government greater influence in this area than elsewhere in China since no individual militarist dominates the governing council. The Nanking Government thus has attained its first plum of territory all its own thanks to the jealousy among the Big Four which prevented the newly conquered territory from being included into the military region of any one of them. Had Yen Hsi-shan been stronger and more aggressive Chihli would naturally have fallen to him. Feng Yu-hsiang blocked this.

Lu Chung-lin was sent to Peking presumably to represent Feng Yu-hsiang in the conferences and ceremonies. He arrived at his assigned quarters in the Western Hills, unlike the others who affected great simplicity, with a bodyguard bristling with arms as if suspecting a trap. This caused much criticism of the none too popular Kuominchun. To everybody's surprise Feng Yu-hsiang himself with his customary secretiveness arrived on the morning of July 6th in time to participate in the memorial services over the body of Sun Yat-sen at Pi Yun Ssu. An impressive ceremony combining Chinese filial obligations and Russian revolutionary canonization practice was conducted by the four army group commanders. Chiang Kai-shek

in the role of elder brother adhered to traditional form and dramatically fell over Sun's casket prostrate with emotion. After a dignified interval Feng Yu-hsiang as dramatically removed the weeping Chiang.

On the next day in Peking a celebration of the Nationalist victory was held. The day was declared a holiday and a mass meeting was held in the large open space in front of the entrance to the Imperial Palace. Speeches were delivered to the crowd continuously from four tribunes. The celebration was arranged similarly to the mass meetings in the South but the attendance of the Peking populace was perfunctory and the crowd was wholly unmoved to enthusiasm. The authorities took no chances with possible radical agitators and forbade the holding of a parade. Chiang Kai-shek, as if weary of flag-waving crowds, spent the day in the Rockfeller Hospital.

The Nationalist commanders held a series of conferences interspersed with entertainments. The results of the conferences were not made known. Even the Japanese who heretofore usually had information of important discussions at conferences seemed entirely uninformed. Such leaks as occurred indicate that the following were the major military questions discussed: The disposition of Nationalist troops in the conquered area; the disposition of Chihli-Shantung units which went over to the Nationalists; the plans for future military operations involving the international complication of operations in Manchuria; the general question of army reorganization and troop disbandment. At the same time a delegation of officials from Mukden was discussing terms under which the Three Eastern Provinces might adopt Nationalist colors without loss of regional powers. Japan's position in Shantung and Manchuria must have loomed ominously in all discussions.

Later developments indicate that there were many points of difference, even antagonism, particularly between Feng Yu-hsiang on one hand and Chiang Kai-shek and Yen Hsi-shan on the other. Li Tsung-jen,

easy-going peace-maker, and his ambitious second in command, Pai Chung-hsi, occupied middle ground and the latter especially watched for opportunities to enlarge his influence. Feng Yu-hsiang remained only a week and departed the same mistrusted Lone Wolf that he had arrived. It appears that Feng protested against the incorporation of the ex-Chihli-Shantung troops into the Nationalist armies (into the 1st and 3rd Army Groups actually). Chiang Kai-shek retorted by promising to replace the old officers by Southern officers. An attempt to do this has met with resistance on the part of the Northern units, and these unassimilated troops, perhaps 100,000 men, are still scattered over northern Chihli, an embarrassment and expense to Chiang and Yen.

Plans for clearing the area to Shanhaikuan-Jehol are actually in operation at the end of the month. All Chinese contacts agree that no direct attempts to operate in Manchuria will be made because of fear of collision with the Japanese. However every manner of intrigue short of acts justifying aggressive measures by Japan may be expected - intrigues in conjunction with the Mukden government one moment and directed against it the next.

The various army reorganization and troop disbandment projects, including those allegedly to be recommended by the Big Four at the coming Fifth Plenary Session of the Central Executive Committee, are covered in Report No. 7305.

Chiang Kai-shek left Peking en-route for Nanking on July 25th. Li Tsung-jen, Li Chai-sum and Yen Hsi-shan departed on July 28th, all presumably en-route to Nanking, but the latter, pleading an acute case of appendicitis, proceeded to Taiyuanfu. Yen Hsi-shan, the most honest and weakest of the Big Four, in Peking found himself forced to make all the concessions to the cause of harmony. He would find no solace in Nanking. The various other important figures who visited Peking during the month including T. V. Soong, H.H. Kung and Li Chai-sum from Canton, have all departed. The center of interest shifts again to the Yangtze Valley.

3. Lapse of Revolution in Peking.

Following Russian revolutionary procedure, the Imperial City has ceased, at least for the present, to be the capital of China. But Peking, however named, will never become the empty waste that is Leninegrad. Reduced to a provincial capital, Peking will still be the city of beauty, the city of historic associations as colorful as they are dissolute. The walls within walls will continue to attract even ardent revolutionaries, and perhaps cause them to weaken in their impersonal zeal for the masses.

Certainly one would have observed superficially if he had seen in the recent gathering of revolutionary chieftans in Peking only serious efforts to strike at the roots of a rotten civilization, to destroy the monuments of a corrupt dynasty, and coldy to initiate reconstruction. There was more of a spirit of pilgrimage among the leaders who flocked to Peking in July than they would care to admit. The body of Sun Yat-sen attracted them less than the shrine of Peking itself. The leaders spent more time near fleshpots and dipping into the pageantry of Peking, real and imaginary, than in conference. Leaders, secretaries and soldiers saw here in profusion more of the products of China's culture and art than they had witnessed before. No Chinese heart could be so practical as not to be assailed with doubts in face of the comparison of magnificient past accomplishment with unlovely, uncolorful and dubious revolution. The personnel surrounding the leaders admitted frankly that to retain the spirit of revolution the scene of their activities must be removed.

The foregoing is not fantasy but fact of considerable significance. The real spirit of China is more nearly typified by the atmosphere of Peking than by restless excitement of Canton. The revolution is an attempt to infuse a new spirit, largely foreign, into a nation. To see how superficial is the process thus far it is only necessary to observe the combined fear and attraction which Peking exerts upon the leaders of

the movement in a few weeks sojourn. Compromises with revolutionary consciences were observable in words and deeds among those who were responsible for spreading the revolution in this area. The usual manifestations observable throughout the South were rigorously suppressed here. The local Kuomintang members were permitted so little expression that the leaders are being charged with reaction. A few ineffective strikes, monotonous preachment of meaningless San Min Chu I, pasting of posters and the defacement of some of the old red walls by patches of blue - these are the only outward evidences of revolution in Peking. Even the policies, internal and foreign, of Kuomintang written in the blue patches on the Imperial City walls have been modified either to appeal to the northern temperament or unconsciously in deference to the atmosphere which exerts an overwhelming influence against change.

4. Military Developments.

Following the occupation of the Peking-Tientsin area there was a period of indecision during which the troops of the four army groups settled in the areas in which they found themselves. In general the Peking-Tientsin area was reserved for Yen Hsi-shan and the Fourth Army Group contingent under Pai Chung-hsi. A column of Shansi troops was advanced in the direction of Jehol. The immediate problem was to reorganize the various units of Chihli-Shantung troops whose commanders went over half-heartedly to the Nationalists. These were scattered all over North Chihli and, except for their arms, constituted a responsibility rather than an asset to the victors.

It seems that Chiang Kai-shek and Yen Hsi-shan hoped to absorb these units into their forces to increase their bargaining strength vis-a-vis Feng Yu-hsiang. Feng strongly protested during the conferences against the retention of these notoriously bad troops. Attempts to appease Feng by replacing the officers by Nationalists met with resistance among the unit commanders. Minor fighting was necessary to disarm some of the

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more worthless organizations. This undigested acquisition of ex-Northern troops has probably delayed the operations in the Shanhaikuan area. Armed men in China cannot be disbanded without money and the Nationalists have no funds for this purpose.

Following a decision of the military conference, the operations to clear all of the area south of Manchuria have been in process of formation. From the meagre information it appears that the forces designated represent contingents from all four army groups. Fang Chen-wu, commanding units of the First Group, reinforced by Shansi units, has moved on Jehol. Pai Chung-hsi, in command of operations toward Shanhaikuan, is moving his own army on the Peking-Shanhaikuan motor road while contingents furnished by Chiang Kai-shek and Feng Yu-hsiang are advancing up the Peking-Mukden Railway. The movements are greatly handicapped by lack of transportation, both cart and railway. At the end of the month contact was expected with the covering elements of the Chihli-Shantung troops in the Tongshan area.

It is the general belief that the only Fengtien forces which now remain south of the Wall are retained there to prevent the retreat of the remnants of the Chihli-Shantung armies into Manchuria. The latter under Chang Tsung-chang and Chu Yu-pu number approximately 30,000 and should easily be disposed of.

For the various plans proposed for army reorganization and the disbandment of superfluous troops, see Report No. 7305. During the month Japan has reduced her forces in Shantung from approximately 19,000 to about 13,200.

5. Affairs in Manchuria.

Although there is a strong faction in the Fengtien Party which resists all efforts to join the Nationalist Government, there seems little doubt but that for Japan's interference Manchuria would soon join the Nationalists as another military region. The change if not effected

voluntarily would soon be accomplished by a combination of military action and political intrigue. For the present, however, Manchuria must be considered as a nation of itself.

On July 3rd, Chang Hsueh-liang accepted the appointment, apparently of the assembled Fengtien Party officials, as Commander-in-Chief of the Peace Preservation Forces in the Three Eastern Provinces. His first acts indicated a genuine desire to effect an association with the Nanking Government. He announced his willingness to adopt the Nationalist flag and the Three Principles with reservations as to certain local autonomy features. H e began the withdrawal of most of the Fengtien forces from south of the Wall, and despatched delegates to Peking to negotiate terms of the turnover. These arrived in Peking July 10th.

As is invariably the case in Chinese negotiations there were lack of honesty and lack of faith on both sides. The negotiators were without power and they represented only Chang Hsueh-liang's faction of the Fengtien Party. They talked with Chiang Kai-shek and Yen Hsi-shan, not the Nationalist Government. It seems clear that Fengtien wanted a federated status without the sacrifice of local powers and that the Nationalists, under guise of the most liberal terms, desired only an opening wedge in Manchurian affairs after which the whole Fengtien Party could be upset. As evidence of the Nationalists bad faith a government of their own choosing was disclosed in process of formation in Dairen which was being prepared to take over in Mukden at a favorable opportunity.

The Mukden delegates remained in Peking until July 29th. Whether the Chinese could have reached a peaceful settlement is extremely doubtful. N evertheless a sudden development occurred which again projected a Chinese situation onto an international screen. Seemingly as a first step in retaliation for the abrupt abrogation by Nanking of the Sino-Japanese commercial treaty, Japan warned Chang Hsueh-liang that

she would consider the peace and order of Manchuria disturbed were the Nationalist Government, in her present irresponsible mood, to expand north of the Wall. This "warning" or "advice" was transmitted to Chang Hsueh-liang by Consul General Hayashi on July 19th, and has been confirmed by numerous official interviews in Tokyo. If any doubt existed as to Japan's de facto protectorate over Manchuria after the note to Chinese militarists on June 18th regarding Japan's intentions to prevent disorders spreading to Manchuria, this doubt is dispelled by the latest Japanese move. Japan openly asserts her authority to dictate the form of government which she desires in Manchuria. Although this forward step by Tokyo was taken as a political move to bring pressure upon Nanking to effect satisfactory adjustments in the critical Sino-Japanese diplomatic relations, it nevertheless constitutes a bold assertion of a political status in Manchuria which ultimately can be regularized by territorial expansion alone.

Chang Hsueh-liang has sent a special representative to Tokyo to confer with Tanaka. Baron Hayashi has been sent to Mukden as a special representative of Tanaka to interpret the Japanese views to the Manchurian authorities. There is no doubt but that Chang Hsueh-liang will be forced to abide by Japan's "advice". Recent press reports indicate that Chinese official feelings are being salved by liberal Japanese loans for construction purposes. Meanwhile the feeling against Japan runs high. Unconfirmed reports state that some Manchurian officials have already hoisted the Nationalist flag. It is most improbable however that the Nationalists will openly disregard the Japanese warning at this time.

The organization of the new Manchurian government will be covered in a special report. The actual authority is vested in the Northeastern People's Council, inaugurated July 19th, consisting of 16 members, of which Chang Hsueh-liang is chairman. In theory the supreme authority rests in the Federal Provincial Assembly consisting of 10

members from each of the three provincial assemblies. The organization and constitution show Kuomintang influence. In the event of a turnover, the transition would be simple.

6. Nanking's Plans, Projects and Programs.

The Chinese have come to appreciate the value of conferences as a means of publicity and a means of diverting criticism from a lack of solid accomplishment. This is another of the unwholesome residues of the Russian drench. Nationalist supremacy is nowhere so marked as in the preparation - and publication - of agenda. For completeness, constructive imagination and length, the agenda of recent numerous conferences are incomparable. The resolutions of the conferences also leave no detail untouched in the way of recommendations for ideal solutions for every problem of government. The recommendations furnish excellent publicity. The recommendations then go to the Central Executive Committee. Here trouble begins because politically different points of view and certain practical considerations begin to mar idealistic recommendations. But enough survives the Central Executive Committee to make reading. In the enforcement of the final laws or regulations, the less said the better, and no publicity whatever is arranged therefor.

A long period of revolution will not materially alter that most outstanding trait of the Chinese which views with complete satisfaction the substitution of form for substance.

The Fifth Plenary Session of the C.E.C. scheduled to convene August 1st, in addition to many party and internal political questions demanding solution, will have before it the recommendations of the various conferences recently held dealing with fundamental questions of reconstruction. The important conferences referred to are: the educational, economic, financial and military. The latter dealt with disbandment and army reorganization. The communications conference is

scheduled to be held August 1st. Full publicity has been given to all the conferences except the military one.

The Fifth Plenary Session is a most important event. It will be the real test of the Party's ability to take advantage of its recent successes. Here is where the big military leaders will demonstrate whether or not their recent pronouncements have been honest. If they cling to their positions of personal military strength, they will defeat every mooted plan, project and program. Without a renunciation of their regional military dictatorships, disbandment will be a farce and financial and economic reconstruction, planned by practical bankers, will be utterly impossible.

7. Nanking's Foreign Relations.

Whatever one may think of the merits of the case, the present diplomatic relations between China and Japan have reached such a critical state than an accident could easily precipitate a war. Such relations could not have developed between two European nations without having already created a state of war. China can support a tremendous difference of potential without discharge so long as she restricts herself to passive measures of resistance. She plays with unfamiliar and dangerous forces when she attempts to bluff with positive action. With the Manchurian situation having reached a point where Japan has little option but to go further in the direction of territorial expansion - she will not take backward steps - with the Nanking affair unsettled, with the more serious Tsinan affair unapproached for settlement and Japanese troops in control of the heart of a province, the Nationalist Minister of Foreign Affairs took the hazardous step of informing the Japanese Government that beginning July 20th a modus vivendi promulgated by Nanking rather than the Sino-Japanese treaty would apply to Japanese resident in China. In effect China unilaterally abrogated the treaty of 1896 which fixes the

status of Japanese in China, a treaty which the Japanese assert technically runs until 1936. Japanese extraterritorial rights were cancelled with a flourish of C. T. Wang's pen.

The Nationalist Government also has announced the termination of expired treaties in the case of Spain, Portugal, Denmark and Italy, the expiration of which treaties previously had been notified by Peking. Nanking went a step further in informing these countries that until new treaties are effected, the status of the nationals of these countries will be regulated by the modus vivendi. Each of these countries has replied to the effect that while willing to negotiate new treaties it refused to accept the unilateral pronouncement of abrogation. These countries are small and distant. Japan is in no frame of mind to accept such arbitrary action especially in view of the fact that a clause of the treaty technically provides that the treaty does not expire for eight more years. Japan's reply to the Nanking notification of expiration has not been forwarded, but there is little doubt that it will be strongly worded. It is extremely unlikely that the Chinese will attempt to enforce the modus vivendi on Japanese subjects.

The circumstances of the sending of Mr. Kellogg's note of July 24, 1928, to the Nationalist Government offering negotiations relative to tariff matters and the immediate signing of a treaty giving tariff autonomy, subject to most favored nation stipulations, are well known. The immediate reaction among the Chinese to the American gesture appears most favorable at this time. It seems to be taken for granted that America will go further in the way of complete treaty revision. A typical manifestation of the temporariness of Chinese gratitude was furnished by the undignified impatience with which C. T. Wang indulged himself in petty chicanery as a reply to the very generous and open offer of our Government. He attempted the crude device of reading into Mr.

Kellogg's note what was not there, appointed C. C. Wu as delegate with full powers to negotiate on the basis of the note, being quite aware that the negotiations intended had been concluded. Pathetic and devious and so typically Chinese! Insistence that this is an exceptional bit of low-flung practice is closing one's eyes to the Chinese as they are, whether statesman or coolie.

The facts regarding our latest sincere efforts to assist the Nationalist Government along the road to stability would be obscured if mention were not made of the general and rather intense feeling of disapprobation which the generality of foreign officials in Peking express regarding America's action. It has come to my ears from many sources that the undercurrent of feeling among foreign representatives is almost unanimously and sullenly critical of our policy. It is difficult to fix the points at which the criticism is directed. In the case of Japan the feeling is very strong that America chose the time of Japan's greatest embarrassment to give China face and create further difficulties in Japanese negotiations. Many other foreigners are known to agree with this point of view. Four smaller powers are engaged in negotiations which will be rendered more difficult because of our action. I express no opinion as to the advisability or not of building up favor with China at the expense of the good will of other powers. The impression among diplomatic personnel of other powers in Peking that this is what America is doing is so general and so deeply felt that I am constrained to report the fact. In the case of Japan I have very specific information that the local officials are so convinced that America deliberately maneuvered to injure Japan that considerable tact will be necessary to disabuse them of their misapprehension.

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COMMENT ON CURRENT EVENTS

August 1-15, 1928

1. General.
2. The Fifth Plenary Session of the Central Executive Committee of the Kuomintang.
3. Military Developments.
4. Affairs in Manchuria.
5. Nanking's Foreign Relations.

RECEIVED G/2 W. D. OCT 2 1928

1. General.

Many events of far-reaching political importance occurred during the first two weeks of August. The long heralded Fifth Plenary Session of the Central Executive Committee of the Kuomintang which many sceptics predicted would never take place, opened on the 8th and closed on the 15th of August. The session was scheduled to open on August 1st, but internal dissension among various factions in the party, principally over the question of the retention or abolition of the branch political councils, and the question as to whether or not the radical members would be given seats, almost prevented the gathering together of sufficient members to form a quorum. The Old Guard delegates left Nanking in a huff prior to the opening, while the radical members remained aloof in Shanghai until persuaded to attend by Chiang Kai-shek. The latter proved himself a mediator of no mean ability and it is due principally to his efforts that the session was held at all. He assumed the role of peace-maker a second time when, on August 9th, differences again arose over the branch councils which seriously threatened the complete break-up of the session. This knotty question was finally solved by compromise. The only concrete decisions made were on matters of policy, while all other business coming up before the session was delegated to sub-committees to work out. It rests with the future to disclose whether or not anything definite was accomplished in the way of reforms.

Sino-Japanese relations continue to be strained to the breaking point, and the fact that Mukden and Nanking managed to reach an agreement regarding Manchuria, over Japanese protests, has not served to improve the friendly feeling between the two countries. Nor was the Japanese reply to the Nationalist announcement of the abrogation of the commercial treaty of 1896 in any way conducive to a harmonious settlement of that delicate problem. Since it is manifestly impossible for two nations to continue indefinitely hurling threats at each other without resorting to the use of force to carry their respective points, it is clear in this case that something must be done to relieve the tension of the situation in order to avert war. Japan's note puts China in the difficult position of having to retract her abrogation of the treaty, with its attendant loss of face, or enforcing the modus vivendi and suffering the consequences which are almost sure to follow in the form of armed intervention.

The outstanding diplomatic accomplishment occurred on the 9th of the month, when an agreement was reached between representatives of Great Britain and China over the Nanking incident. The chief significance of this settlement lies in the fact that it paves the way for a new Sino-British commercial treaty.

The Ministers of Denmark, Portugal and Germany, and the Belgian Charge d'Affaires, have been in Nanking making preliminary arrangements for a revision of the treaties of their respective countries, thus making this period a busy one for the Foreign Office.

2. <u>The Fifth Plenary Session of the Central Executive Committee of the Kuomintang</u>.

After much preliminary wrangling and several postponements, the Fifth Plenary Session of the Central Executive and Central Supervisory Committees, which was scheduled to start on August 1st, was finally opened on August 8th. The various factions, which had buried the hatchet

when Chiang Kai-shek was recalled from Japan to lead the Northern expedition, flaunted their pent-up differences with renewed vigor. The role of mediator fell to Chiang Kai-shek and it is due chiefly to his efforts that the opening of the session was finally accomplished. In order to appreciate the difficulties under which Chiang labored, it is necessary to give a brief resumé of the composition of the various factions in the Kuomintang and the differences which prevented their acting in concert on important political questions as one harmonious group. Generally speaking, the Kuomintang is split up as follows:

(a) The Old Guard, consisting of Center Party men who stood by Dr. Sun Yat-sen throughout the years of his struggles, and who consider themselves particularly privileged. The leaders are Chang Ching-kiang, the cripple who poured his entire fortune into the treasury of Dr. Sun, Li Shih-tseng, Wu Tze-hui and Tsai Yuan-pei.

(b) The Kwangsi Party, semi-military in character and closely associated with Feng Yu-hsiang. The leaders are Generals Li Tsung-jen, Li Chai-sum and Pai Chung-hsi, with Feng as the "elder brother" although he was not elected to membership in the Kuomintang committees until the present session.

(c) The radicals, the reds, and the pinks of the Party directed by Wang Ching-wei, now in voluntary exile in France, Chen Kung-po and Ku Meng-yu.

(d) The right wing, consisting of the true moderates of whom Dr. C. C. Wu, Sun Fo and Hu Han-min are the principal spokesmen.

(e) The younger element, with no particular cut-and-dried policy, who although progressive are inclined to be moderate. The leaders are Chiang Kai-shek and T. V. Soong.

The question which threatened to kill the plenary session before it began was the proposed abolition of district political councils. Those in favor of retaining these councils were the Kwangsi military faction,

allies of Feng Yu-hsiang and the Old Guard, who saw their authority being uprooted by the younger element. Chiang and his supporters led the opposition, arguing that these regional councils tended to split the country into spheres of influence, and might easily lead to renewed civil strife since the dominating persons in control would have the same power as former tuchuns. Curiously enough Chiang Kai-shek found himself aligned with the radicals, who at first declined to attend the session at all and only consented with the determined idea of wrecking these branch councils. The radicals proposed to build up a powerful single authority after the fashion of the Communist Party in Russia, with no room for regional authorities who might be difficult to discipline and who might possibly conceive and put into effect moderate ideas. While the Chiang Kai-shek group and the radicals were united in wishing to maintain one central government, they had widely different reasons for so doing, in that Chiang and his supporters favored the federal parlimentary idea. It was this question that caused the Old Guard to bolt before the opening of the session, leaving behind them a letter demanding the retention of the branch councils and a party housecleaning, meaning a thorough routing of the reds.

The radicals on their part announced that they would not attend the session until assurances had been given that their proposals would be placed on the agenda. The moderates and the conservatives refused to consider the radical program, hence the day set for the opening found the Canton radical group missing and the session lacking a quorum. Matters came to a standstill while the question as to the advisability of giving the radical members seats was debated. Chiang Kai-shek, aided by Li Tsung-jen, finally persuaded the session to bury past differences and invite the radical members. Chiang himself went to Shanghai to conciliate this group and succeeded in persuading five of the clique to attend, thus obtaining a quorum and insuring the opening of the session.

Feng Yu-hsiang and Yen Hsi-shan were elected to membership at one of the preliminary meetings; Yen, however, did not attend due to illness, and Feng attended only some of the later sessions.

The results of the session, which began on August 8th and closed on August 15th, are in general as follows:

(a) The question of the retention or abolition of branch political councils was settled by means of a compromise, wherein it was resolved that they are to be retained until the end of the year, after which time they are to be discontinued.

(b) It was proposed to draw up a Constitution, and to proceed at once with the five principal government departments - executive, legislative, judicial, supervisory and examining, the organization of these departments to be left to the C.E.C.

(c) The session went on record as favoring unification of military administration and adoption of a system of conscription. It also favored reduction of existing armies to a figure calculated to absorb no more than fifty per cent of the national revenues.

(d) The general principles of the bill submitted by T. V. Soong for the unification of national finances, establishment of a budget system, reorganization of taxation and an economic policy calculated to improve the living conditions of the people, were also adopted.

All that now remains to be done is the carrying out of the decisions arrived at during the session. If the Kuomintang can surmount the obstacles which will be placed in the way of the abolition of the branch political councils, the reduction of the various armies and the wresting of the country's revenues from the hands of individuals and cliques, it can well regard itself as the savior of the people. Unfortunately, past performances leave little room for anything but scepticism concerning concrete reforms.

For a full report of the session up to the last day see Report No. 7312.

3. Military Developments.

Hostilities between the Manchurian forces and the Nationalists were suspended about the 10th of August. The Fengtien authorities ordered the withdrawal to Chaoyang of the main forces under Tang Yu-lin in the Jehol area. Gen. Tang's representatives are reported to be in Peking at the present time negotiating for the transfer of this territory to Nationalist control.

Inside the Great Wall, the expedition under Pai Chung-hsi, formed for the purpose of clearing Chihli province of Northern troops, was halted by order of Chiang Kai-shek before any real contact was established with the main Northern forces. Almost simultaneously the Mukden authorities issued orders for the retirement of the Third and Fourth Army Group from the Lwanchow area on the Peking-Mukden railway to the vicinity of Funing-Changli. Both sides apparently wished to show their sincerity regarding the compromise between the Manchurian government and Nanking. Since the two factions have supposedly come to an understanding anent their political differences, no resumption of fighting is expected at the present time; in fact, if some plan for the disposition of Chang Tsung-chang's Chihli-Shantung troops could be arrived at which would be satisfactory to both sides, it is not unlikely that all Fengtien troops now in northern Chihli would be moved at once to stations north of the Wall.

With Chihli province on the high road to pacification, the question naturally arises as to who will control this lucrative territory. Yen Hsi-shan's influence in the Peking-Tientsin area, never very strong, recently has been decidedly on the wane. It is quite apparent from Yen's actions that he is fully cognizant of this fact and is casting about for a graceful way out of the difficult situation in which he is placed. He started for Nanking to attend the Fifth Plenary Session of the Central Executive Committee of the Kuomintang, but according to reports was stricken with an attack of appendicitis while en route, necessitating his

return to Taiyuan where he still remains. Whether or not Yen's illness is genuine, it at least provides him with the conventional Chinese excuse for retirement from national affairs. He has already tentatively suggested that due to illness and the press of affairs in his own province, it may become necessary for him to resign his position as Garrison Commander of Peking and Tientsin. That the Chinese consider Yen's tenure of office to be extremely limited is evident from comments in the vernacular press suggesting Pai Chung-hsi as a possible successor to Yen. Pai himself has denied that he is seeking the position and there are many reasons why his sincerity cannot be doubted, the most important of which are as follows:

(a) Pai knows that the position of Garrison Commander of Peking and Tientsin will eventually embrace control of Chihli province, but that in order to make this control effective it also will be necessary for him to have under his thumb the sources of revenue. Feng Yu-hsiang's appointees unfortunately control this important item, a circumstance of which Pai is well aware. In fact it is one of the most vital factors contributing toward Yen's retirement, the latter having been compelled to send all his troops back to Shansi except a small garrison in the Peking-Tientsin area and those taking part in the northern expedition, because of lack of funds for their support.

(b) Pai is a member of the Kwangsi Party and unless this party is able to establish a corridor through Honan linking Chihli with Hupeh, it would be political suicide for Pai to be separated from his teammates by Kuominchun-controlled Honan.

From the foregoing it can easily be seen that however ambitious Pai may be, if it is his desire to establish himself in Chihli, his only hope would be in affiliating himself with Feng Yu-hsiang, an eventuality which is extremely unlikely.

The logical successor to Yen therefore is Feng Yu-hsiang, and to this end the latter has left no stone unturned. Not only do his appointees fill all the lucrative positions from which revenue can be derived in the Peking-Tientsin area, but three of the five principal commanders in the northern expedition are at present or were formerly subordinates of Feng. Add to this the fact that due to his own efforts Feng is now on excellent terms with Chiang Kai-shek, it is only natural to assume that Feng will fill the vacancy created in Chihli in the event of Yen's retirement. Feng's original allotment of territory consisting of war-ridden Honan and Shantung, which had been milked dry by Chang Tsung-chang, and in addition is in Japanese hands, has been a source of bitterness to him from the first. Ever since, he has been devoting his energies toward obtaining control of Chihli, and it now appears as though his efforts might be crowned with success in the near future.

4. Affairs in Manchuria.

During the early part of the month, Baron Tanaka's remarks regarding Japan's attitude on the Manchurian question were much quoted in press dispatches. At meetings of the Cabinet and the Seiyaka, and at gatherings of government officials, the Japanese Premier repeatedly stated that Japan did not wish to interfere in China's domestic affairs, that she would welcome any step aimed at unification of China, including a compromise between Mukden and Nanking, always provided of course that her rights and interests in Manchuria were not jeopardized. He hinted at Japan's taking a more conciliatory attitude on the question of a compromise, and emphatically denied that anything in the nature of a warning had been given Chang Hsueh-liang.

At the same time that the above statements were being given publicity, Baron Hayashi, who was in Mukden supposedly on an unofficial visit to attend the funeral of Chang Tso-lin, was having daily interviews

with Chang Hsueh-liang in an effort to prevent the latter's entering into any compromise with the Nationalists. On August 9th, Baron Hayashi went so far as to inform Chang that the Japanese Government had decided to act with a free hand in case Japan's "advice" was disregarded and the Nationalist flag hoisted. He further undertook to offer Chang armed support in case the latter met with opposition in complying with Japan's desires.

In reply Marshal Chang stated he he could not silently receive the Baron's personal warnings; that as a Chinese he wished to see China unified and that in any case he could not but "bow to the will of the people", whatever the consequences.

The matter was referred to the Peace Preservation Committee with the result that this body decided in favor of a compromise with Nanking, not however before first effecting a compromise with the Japanese wherein it was agreed that the Nationalist flag would not be flown for three months, with the further understanding that there would be no objection thereto at the end of that period and that there would be no interference from the Japanese in any way. This, in effect, is merely a postponement of the day of reckoning. Chang Hsueh-liang could neither afford to appear pro-Japanese at a time when the very mention of the word Japan is hateful to Chinese ears, nor could he afford to offend a country whose interests are so vast in the territory under his control. He therefore chose the typical Chinese method of a compromise with both the Nationalists and Japan, and put off the evil day of settlement as long as possible in the hopes that events would so shape themselves in the meantime as to release him from a most difficult situation.

The details of the Manchurian-Nationalist compromise have not been made public; but it is understood that differences have been settled more or less to the satisfaction of both sides. That Japan's warnings or "advice" to the Manchurian Government contributed in no small measure to the unification cannot be doubted. It is apparent that Japan realizes

this from the criticism in the Japanese press and from the Minseito Party regarding the Tanaka policy toward Manchuria. In view of this it is quite possible that from now on Japan's efforts to gain her ends in Manchuria will be confined to intrigue. Unfortunately for her, she can do little to relieve the situation through diplomatic channels until she comes to a show-down with the Nationalists regarding the revision of the commercial treaty, consequently there is always the possibility that she might be forced to adopt drastic steps to protect her interests. Should the Nationalists attempt to abrogate existing agreements with Manchuria, grave developments are foreseen; therefore, events in the next few weeks will be watched with interest.

5. Nanking's Foreign Relations.

On August 7th, the Japanese Consul at Nanking handed the Chinese Minister of Foreign Affairs the text of the memorandum from the Japanese Government in reply to the Chinese Government's announcement of July 19th that the 1896 treaty had expired. As was expected Japan's reply is strongly worded and states in unequivocal terms the Japanese Government's stand regarding the abrogation of the 1896 treaty and the application of the modus vivendi promulgated by Nanking to Japanese resident in China. Japan lays emphasis on three points:

1) China cannot under the terms of the treaty abrogate the agreement by unilateral action, and since negotiations for revision were not completed within six months after the expiration of the ten year period, the treaty technically remains in force for another ten years.

2) Japan is ready to open negotiations for revision of the treaty but this can be done only if China withdraws the announcement of the abrogation of the treaty.

3) If China attempts to apply to Japanese subjects and their property the provisions of the "interim measures" recently announced for dealing with non-treaty nationals, Japan will take whatever action may be necessary to protect her rights and interests assured by the treaty.

In short, China's hand has been "called" and the next move is hers. The second stipulation mentioned above precludes the idea of further negotiations on the revision of the existing treaty without effecting a complete volte-face, with its attendant loss of face on the part of China. Nor can China attempt to enforce the modus vivendi on Japanese subjects without encountering the forceful measures that Japan is sure to take in that event, as the latter has threatened in the third stipulation mentioned above.

It can thus be seen that it will require a considerable amount of diplomatic jugglery for China to extricate herself from the morass into which the high-handed gesture of her Minister of Foreign Affairs has plunged her. So far the Nanking Government has expressed no desire, either formally or informally, to resume negotiations with Japan, although it is rumored that a second note has been drafted, the provisions of which have not been made public.

On August 9th, Great Britain and the Nationalist Government, after a lapse of nearly eighteen months, arrived at a settlement of the Nanking incident, the terms of which follow along substantially the same lines as the Sino-American settlements. The most important factor in connection with this settlement is that it paves the way for a treaty revision between the two countries, an event which may be expected in the not too distant future.

The Ministers of Portugal, Denmark and Germany, and the Belgian Charge d'Affaires, are now in Nanking making preliminary overtures toward a revision of treating pertaining to their respective countries. There is also the possibility of a new treaty being drawn up between China and France relative to the frontier trade between China and Annam.

The Supreme Court of Canton notified local courts under its jurisdiction that pending the conclusion of new treaties, the modus vivendi would be applied to matters relating to the residents of Italy, Spain, Denmark and Portugal. It may be observed that the nationals of Japan are not mentioned in this notice. China thoroughly enjoys the role of bully when dealing with nations not in position to protect their rights, but like all bullies she fears the use of force when applied to herself, and hesitates before committing any act likely to provoke it.

John W. Carroll.

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1928 2053-627
WAR DEPARTMENT 87

COMMENT ON CURRENT EVENTS

August 15-Sept. 1. 1928

1. General.
2. Military Developments.
3. Nanking's Frenzied Finance.
4. Nanking's Note to Japan.
5. Treaty Matters.

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1. General.

In spite of the oft-repeated boasts of the Nationalists that the military phase of the revolution is over and that the period of reconstruction is at hand, much in the way of military effort is still required before anything approaching the goal of peace can be attained. Chang Tsung-chang and Chu Yu-pu still hold out in northern Chihli where they continue to act as independent authorities, while little military effort is made to dislodge them. Meanwhile a revolt against Feng Yu-hsiang's authority is started on the Shensi-Honan border; Szechuan continues in a state of turmoil, and southern Hunan is in communistic hands. Where, then, is the much vaunted pacification?

As to the reconstruction program, it is only necessary to glance at the pitiable state into which the Salt Gabelle and the Postal Administration have fallen, and to watch the slow disintegration of the Maritime Customs, in order to wonder whether a better word is not "destruction". While the only assured revenues of the country dwindle to nothingness, committees in Nanking busy themselves devising new methods of spending money. During the latter part of August, the Nationalist Reconstruction Committee proposed a scheme for the expenditure of fifty million dollars for a new capital at Nanking for the Republic while perfectly good buildings for the purpose are being abandoned in Peking. Other millions have been voted for a mausoleum for Sun Yat-sen. The question as to when the period of reconstruction is to commence therefore might not be out of order at this time.

From M/A, China Report No. 7318 September 3, 1928

After the close of the Fifth Plenary Session of the Central Executive Committee, the political leaders of the country repaired either to their respective homes or to Shanghai for a rest. The Foreign Office, however, continued to work overtime during the latter half of August. A reply was despatched to the Japanese memorandum of August 7th which in no way helps to settle the differences between the two countries, and does nothing toward paving the way for future negotiations, except that it is couched in more friendly terms than the previous one. A treaty with Germany on customs and related matters was signed, while arrangements were made for a treaty revision with Portugal and Belgium.

2. Military Developments.

The Nationalists prate of peace when there is no peace. Turmoil continues to reign supreme in Szechwan. Southern Hunan is at present in the hands of the Communists, and the Red terror is spreading to part of Kiangsi and northern Kwangtung. A revolt against Feng Yu-hsiang's authority was started in Shensi during the latter part of August and spread to the Shensi-Honan border. Chang Tsung-chang and his cohorts continue to hold out in northern Chihli in defiance of the Nationalists, while Manchuria remains a separate entity. It can thus be seen that the pacification of the country is far from an accomplished fact.

The so-called war of unification stopped short at Tientsin while the various Nationalist factions settled down to a struggle for the fruits of victory. Many weeks ago these factions so far composed their differences as to admit of the appointment of Pai Chuang-hsi to the command of a special expedition, the purpose of which was to clear Chihli province of the former Chihli-Shantung troops. This expedition has never functioned. Troops have been moving backward and forward in

a bewildering fashion, but no effort has been made to accomplish the task of dealing with the "enemy". General Pai himself has spent the greater part of his time since his arrival in North China in the German Hospital in Peking, leaving the work in the field to subordinates none of whom are eager to undertake the mission, the resultant benefits of which, in the way of personal aggrandizement, are so meager and uncertain. The negotiations with the Mukden authorities anent the peaceful disposal of the Chihli-Shantung remnants have come to naught, nor has any determined attempt been made to dislodge them by force. Hence they remain, on the main artery of traffic between Tientsin and the Wall, battening on the populace and starving the latter out of essential means of communications. How long this condition will be allowed to continue is problematical. General Pai has announced that the time has come for the use of force and that he will personally direct operations beginning September 1st. The principal reward which the North has received from the advent of the Nationalists, the reunification of the country and the cessation of civil war, of which the Nanking Government boasted in its manifesto to the Powers, is the prolonged interruption of railway communications on the main trunk line. In former days the Tuchüns seldom talked of their love of the people, their devotion to the public welfare, and their passion for reconstruction and reform; however, when their wars were won they did not long delay the resumption of communications, and the normal processes of trade were soon operating to heal the wounds and relieve the economic hardships of civil strife. If General Pai is serious in his intention to rid Chihli province of Chang Tsung-chang's and Chu Yu-pu's troops, any efforts he may make along this line will be a welcome step toward the re-establishment of peace in the North.

Starting on the 15th of August, a series of what at first appeared to be unconnected and sporadic raids took place on the Manchurian frontier in the Barga district of Inner Mongolia. Later these

raids took on the appearance of a definite organized movement. As nearly as can be gathered from the veil of obscurity surrounding them, the original discontent was caused by Chinese immigrants being pushed into Mongol grazing areas. This discontent was seized upon by "Young Mongols" educated in communistic doctrines, who organized the raids with a view to preventing further Chinese encroachment. Communications on the Chinese Eastern Railway were cut in several places west of Hailar, and for a time the situation looked extremely serious. The arrival of Chinese troops on the scene succeeded in halting further Mongol activities and resulted in resumption of traffic on the railway.

These raids in themselves would have little significance were it not for the fact that the press of both Japan and Soviet Russia have been accusing each other's government of complicity in them. Since each country is extremely jealous of the other's position in Manchuria, anything which tends to engender ill feeling between the two is scarcely conducive to peace in the Far East.

3. Nanking's Frenzied Finance.

The situation regarding the Salt Gabelle, which was extremely grave when the Nationalists took over control of Peking, has become more critical since the beginning of August. Considerable hopes were entertained that one of the results of the Fifth Plenary Session at Nanking would be to restore the essential functions of the Salt Administration. At all events it was understood in foreign banking circles that no further action would be taken in the meantime, which would be likely to undermine the efficiency of the service.

Reports however have now come to hand showing that Mr. F. S. Chien, the Changlu Salt Commissioner, who represents the Nanking Ministry of Finance, has in the course of the last two weeks of August acted in such a way regarding the issue of salt licenses and withdrawal of salt from the depots as to deprive the Peking district inspectorate of its

entire functions. The consequent disintegration of the inspectorate service is reaching a point where restoration will be impossible. In financial circles serious apprehension is therefore felt on account of the foreign loans secured on the salt revenue. These have already been in default for some months.

Representations and protests to the Nationalist Government have repeatedly been made by the Diplomatic Body and officials of the Salt Gabelle over the flagrant and cynical disregard of the Loan Agreement and the sequestration of funds which should be remitted to the Salt Administration from the various provinces. No action has resulted and the protests have received no attention other than polite acknowledgement. As the situation now stands the Salt is threatened with total extinction.

The same thing that has happened to the Salt is also threatening the Customs Administration. There is a powerful movement to disorganize this institution which stands forth as the one dependable national financial prop.

The headquarters of the Postal Administration have been moved to Shanghai. Other government bodies have been transferred from Peking either to Shanghai or Nanking, and the change in each case has been one of disorganization rather than construction. Even the Chinese Foundation, an independent organization for the disbursal of the American Boxer Indemnity, is being seriously interfered with.

In spite of the sorry state into which the only honestly manipulated organizations for the collection of revenues have fallen, the Nationalist Goverament goes right ahead with plans for new expenditures. The latest of these schemes is one proposed by the Nationalist Reconstruction Committee for an estimated expenditure of $50,000,000.00 for the construction of a new Nationalist capital for the Republic of

China; this expenditure to be appertioned one-fifth to the Central Government and four-fifths to the different provinces, according to their resources. Fifty million dollars is not a large sum to invest in a new capital for a great nation, but it is a substantial amount for an impoverished government to invest for the carrying out of sentimental expressions for "our late leader", when excellent capital buildings are being abandoned in Peking.

Other millions are to be spent upon a tomb for Sun Yat-sen in Nanking, when the temporary mausoleum in the Peking district provides a dignified and beautiful resting place until the country's finances are more in a position to afford expenditures of this sort. In all directions treasure is being squandered in tasks that are puerile when compared to the really pressing issues facing a tortured country.

On top of all this come organized attacks carried out against the present Minister of Finance, Mr. T. V. Soong, aiming at his political elimination. He has been variously mentioned as Minister of Foreign Affairs, Mayor of Shanghai and as a bond salesman in Singapore. Should the only person in public office who is capable of inspiring confidence in both Chinese and foreigners be eliminated, financial chaos can indeed be expected.

4. Nanking's Note to Japan.

The Chinese reply to the Japanese memorandum of August 7th welcomes the statement that Japan is willing to negotiate a new Sino-Japanese treaty, and recalls that the old treaty was negotiated more than thirty years ago, and that during those years conditions in China have changed so radically that the terms of the treaty are no longer acceptable. Japan's contention, based on Article 26, that the treaty had been automatically extended for another ten years, if revision is not effected within six months of the date of expiration, is not acceptable

to the Nationalist Government, whose interpretation of the said article is that negotiations must be asked for and commenced within six months if the treaty were to remain in force for another ten years. It concludes that since the Japanese Government has already expressed its readiness to negotiate a new treaty, the Nationalist Government is anxiously and sincerely expecting Japan to appoint a delegate immediately so that negotiations may begin for a new equal and reciprocal treaty to replace the obsolete one, thus "enhancing the friendly relations that have been happily subsisting between China and Japan". The interim regulations made public by the Nationalist Government on July 7th are mentioned as being intended for all countries whose treaties have expired and not for application to any particular country. The intention of the Nationalist Government to enforce these regulations is again stated.

Since the note differs little from the one previously submitted, being practically a reiteration of points to which Japan has already objected, it is difficult to see what China expects to gain by its despatch. The changed conditions mentioned in the Chinese note in no way warrant unilateral abrogation, nor is it possible for China to place her own construction on Article 26, since in the case of contention, the English text governs. As to the interim regulations, the Chinese Minister in Tokyo has verbally stated that China does not intend to enforce them. It is possible that this statement may be interpreted by the Japanese to mean a tacit withdrawal of the announcement of the abrogation of the treaty, thus permitting the continuance of negotiations. In this connection it will be recalled that Japan in her memorandum of August 7th insisted upon the withdrawal of this announcement before further parleys could proceed. If this obstacle could be surmounted thus lightly, much could be hoped for toward an eventual agreement between the two nations, particularly in view of the friendly terms in which the Chinese note is couched and the conciliatory statements made by Chiang Kai-shek and other prominent Chinese on the subject of Japanese interests in Manchuria.

5. Treaty Matters.

On August 17th, the German Minister to China and the Nationalist Minister of Foreign Affairs signed a treaty in the names of their respective countries, in which both China and Germany agree to grant each other equal treatment in customs and related matters, and engage to enter as soon as possible into negotiations for the conclusion of a commercial treaty on the basis of full equality.

Negotiations for a new treaty with Portugal are scheduled to start on September 3rd.

The Dutch reply to the Nationalist declaration of the abrogation of the existing treaty between the two countries has been forwarded to the Nanking foreign ministry. The contents of this reply have not been made public.

A new Sino-Belgian treaty has been drafted, the terms of which have been telegraphed to the Brussels Government for approval.

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COMMENT ON CURRENT EVENTS

September 15-30, 1928

1. General.
2. Military Situation.
3. Activity in Shansi.
4. Reorganization at Nanking.
5. Sino-Japanese Relations.
6. Miscellaneous.

1. General.

After a few days of serious resistance in the Anshan area by the Chihli-Shantung remnants, there followed a period of negotiations after which the breaking up of the units began. By the end of September it appears that the principal organizations of the notorious Chihli-Shantung armies were either disbanded or incorporated in the Nationalist or Fengtien forces. Sporadic resistance was met in several instances of disarming in which many men were killed. There still remains the question as to whether Fengtien or Nationalist troops are to occupy the territory between the Lwan River and the Great Wall.

Peking, with the capital removed, is gradually becoming run down at the heels. The economic structure was dependent largely upon the spending of high officials and a horde of minor officials. These have disappeared, business houses are closing and there is widespread evidence of poverty. Hopei (Chihli) is burdened with more troops than can be properly supported and the peasantry face a serious situation for the winter.

At Nanking the principal activity, aside from the search for revenues, is the attempt to install the Five Council form of government. A plan has been promulgated to provide funds for covering the loans secured on the Salt Gabelle. Whether the revenues allocated for the service of these loans will be remitted from the various salt districts to Nanking remains yet to be seen. The present acting foreign Inspector-

General of Customs, appointed by the old Peking regime, has been confirmed in his acting capacity by the Ministry of Finance. Sino-Japanese relations remain unchanged.

A survey of the actual occurrences and the opinions of our own officials recently expressed leaves one confused with the patchwork of contrary influences at work in China today. Optimism concerning improved conditions in one area can be matched by an equally pessimistic note from another area in which dangerous trends are evident. Above the indescribable melee, if one can really occupy an eminence uninfluenced by the confusion, one can only marvel at the recuperative powers of the Chinese people. Truly China runs Herself. With chaos all about, given a few months free from bandits or destructive wars, localized areas immediately revert to normalcy - normalcy of mediocrity and life in its most primitive form - but normalcy for China, nevertheless. Where wars and bandits are there is suffering; when areas momentarily are free from these scourges life revives quickly, since normal living conditions are so little advanced beyond the soil itself. If such unwholesome political and economic conditions existed in a civilization more highly articulated than that of China, surely chaos would be general and permanent. But in China optimism revives when actual danger to life and limb momentarily ceases and a proportion of normal trade flows in spite of official and unofficial obstacles.

In large areas of China today foreigners cannot travel with any degree of safety. In such areas Chinese themselves have no more sense of security. In fact Chinese who are not protected by their own numbers or who have not the temporary immunity provided by a secret society or an armed band enjoy less security than would an experienced foreigner. In these areas trade continues, greatly curtailed, attended by such difficulties and losses as can scarcely be appreciated abroad.

2. Military Situation.

At the end of the period covered by the last Comments severe fighting was in progress near Anshan between the Chihli-Shantung remnants and the Fengtien forces which had begun to disarm them. Between September 13th and about the 18th, when fighting stopped, it is estimated that there were 15,000 casualties on both sides. Beginning about September 19th, a series of negotiations took place among Yang Yu-ting, Chang Tsung-chang, Chu Yu-pu, Sun Chuan-fang and representatives of Pai Chung-hsi. These men, or some of them, dashed back and forth between Changli and Mukden. No details of the results of their negotiations are known. At the end of the month, Chu Yu-pu was believed to be in Mukden and Chang Tsung-chang was either with some elements of his old army or had fled to an unknown destination in disguise.

While some of the old Chihli-Shantung troops are reported still intact in the area north of Yungpingfu, where they may resort to banditry, the mass of them in the Anshan area have been disarmed or reorganized, some by Fengtien and some by Pai Chung-hsi. It is hoped that the last has been heard of this rabble. Some Fengtien troops have withdrawn to Manchuria but there are still parts of six armies south of the Wall. Shansi troops are reported being withdrawn from the war area, and all Nationalists appear to be concentrating south of the Lwan River. The troops of Pai Chung-hsi, mostly from Hunan, are without winter clothing and already are suffering from the cold. The area has so long been occupied by masses of troops that the food is very scarce. The civilian population will doubtless be faced with starvation. Nationalist commanders have made insistent demands upon Nanking for money, food and clothing.

Superficially there is no friction between the Nationalist and Fengtien authorities. The future disposition of the area north of the Lwan and the restoration of railway traffic on the Peking-Mukden are connected with the larger issues between Manchurian and Nanking leaders. The latest information is that it will require several weeks to repair damages to the bridge at Lwanchow.

3. Activity in Shansi.

Reliable information from Shansi indicates an active business revival and at the same time renewed military preparations in the "Model Province". It is no secret among the Chinese that Yen Hsi-shan and his followers remain extremely mistrustful of Feng Yu-hsiang. Yen seems to be taking no chances. His arsenal is working full blast, and a reliable American states he saw recruiting on the streets of Taiyuanfu.

Yen himself returned to Peking on September 25th. Aside from his own province, he now controls Suiyuan and Charhar. It is difficult to foresee whether his commitments in Chihli as Defense Commissioner of the Peking-Tientsin area are a liability or an asset. There are some evidences that Y en and his followers are not resigned to accept the oblivion to which Feng and Chiang Kai-shek seem inclined to relegate them.

4. Reorganization at Nanking.

The proposed Five Council form of government has not yet been adopted, but it is generally believed it shortly will be. There are two difficulties to be overcome. First is the problem of satisfying the leaders by assigning them posts befitting their importance. There are indications of favored appointees attempting to adjust the regulations in a way that will enhance their own powers. Leaders who are not offered sufficiently important posts will doubtless obstruct the whole new scheme. The second difficulty is the objection of a considerable number of Kuomintang members to the new scheme on the score that it is yet too early to adopt any form of government which may result in diminishing the direct control exerted by the Party. The proposed scheme as nearly as can be judged by the alleged regulations recently published actually retains all powers in the hands of the Party, but the compromises with parliamentary terminology suggests a stage in the direction of popular government which many members of the Kuomintang feel is untimely. They fear any possible wedge which may be inserted in party solidarity.

#7329

An intelligent Kuomintang editor recently told me that the new scheme in some form will doubtless be adopted, but because it is too abrupt a step it will not work. Mentioning Dr. Sun's three conventional periods, namely, military, tutelage and constitutional, this gentleman stated that it is sheer folly to pretend that the military stage has ended. Militarism has been scotched but not destroyed. It is impossible for the Party to be supreme in governmental affairs (tutelage period) while the militarists are still rampant. The Party, he said, must actually obtain complete control and exert the real power before any steps are taken toward constitutional government. This recent step, which is a flirtation with constitutional forms without a constitution, is being taken before even the military period is ended and when the period of tutelage is scarcely begun. Therefore he said the experiment will fail. If it be conceded that Dr. Sun's successive periods are logical and inevitable, then the Chinese gentleman is right. He added that the mass of Kuomintang members, especially those not due for high offices in Nanking, are against the Five Council experiment.

The proposed regulations for the new government, which are still being discussed in the Political Committee, are being forwarded in a separate report.

5. <u>Sino-Japanese Relations</u>.

Mr. Hori, Counsellor of the Japanese Legation, has recently returned from Tokyo where he, together with the consul general from Shanghai, was called for conference by the Minister of Foreign Affairs. Mr. Hori is frankly a foreign office liberal and antagonistic to the general staff policy vis-a-vis China. He told me he had thought he was being called to Tokyo to give his views, but Baron Tanaka soon assured him that his business was to listen. He added that the Premier in no

mincing words made known that whereas information and suggestion from officials in China was welcome, the decision as to final policy rested nowhere but in him, Baron Tanaka. This statement from Mr. Hori, normally most reticent, was surprising. The following interview given to Japanese journalists in Peking is very informing:

"I sat in conference with Premier and Foreign Minister Tanaka only two or three times, during my visit to Tokyo, although I met other cabinet ministers and high officials and men of importance in other circles, almost every day, and exchanged views with them relative to the Chinese question. My conclusion from these conferences is that the Tanaka government has a definite policy vis-a-vis China. The foreign minister summoned me and Mr. Yada, the consul-general in Shanghai, simply to hear from us the views of Mr. Yada and those of Minister Yoshizawa, and not to form a new policy, on the basis of their opinions.

"It is difficult to sum up in a word the Tanaka government's China policy, but it may be explained in this way that the cabinet has a full sympathy with the people of young China and is ready to meet as far as possible their desire. It is ready to respond to China's desire to see the commercial treaty revised and the Tsinan affair settled, so that such sentiments as detrimental to the promotion of the good relations between China and Japan may be promptly removed. The Tanaka government regrets that the prevailing situation in China is not what is desired by Japan. The atmosphere is unsatisfactory to her; that is to say, the government of China lacks the sentiment of sincerity.

"What is mentioned by sincerity is that China recognizes the treaty obligations. The Nationalist government of China is not recognizing them; nor are they able to adequately meet the anti-Japanese agitations. The government of Japan is determined to resume the negotiations for treaty revision and settlement of the Tsinan question, when the Nationalist government is firmly established and it has been proved that they have an ample amount of sincerity.

"It is true, the businessmen, especially those engaged in the foreign trade with China, are heavily suffering from the Chinese boycott of Japanese goods. They are, however, determined to bear these sufferings without complaints, and they urge the government to push through their present China policy to the last end. This is not my own surmises, but the resolutions passed by different bodies in Japan lead to this conclusion. The policy maintained by the present government vis-a-vis China is not the policy by the Tanaka government alone, but it is a policy formed on the basis of the result reached by the repeated exchanges of views between the government members, the war and naval authorities, and leaders of different public bodies as well as representative businessmen."

6. Miscellaneous.

Disbandment and Reorganization. Continuous investigation confirms previous statements to the effect that the so-called disbandment of troops, so much advertised, is more in the nature of reorganization than disbandment. That is, irregular half-bandit organizations are being disarmed where possible and their equipment issued to regulars. Many thousands of uniformed carrying coolies who never were armed but who were drafted only for active operations also are being dismissed. Some undersized boys and old men too are being replaced. So far as present information goes, it is believed that the actual and relative fighting strength of the Four Groups of Nationalist Armies is not altered by the recent reorganization. All the other military forces in China, not included in the Four Groups of Armies (see Situation Reports) are as yet untouched. Nevertheless, the elimination of irregulars, even though the actual fighting strength of Nationalist armies is not diminished, is a positive benefit in that it somewhat alleviates the burden upon the peasantry.

Fengtien Continues to Arm. Reliable journalists returning from Manchuria inform me that the arsenals at Mukden are still actively operating and that the purchase of munitions continues. Details are not available, but the impression prevails that the Manchurian government is not relaxing in its military preparedness despite its very evident desire to be in agreement with Nanking in all external matters.

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COMMENT ON CURRENT EVENTS

September 1-15, 1928

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1. General.
2. Military Situation.
3. Sino-Japanese Diplomacy
4. Nationalist Politics.
5. Miscellaneous Notes.

1. General.

The period saw the beginning of the operations undertaken to eliminate the last remnants of the Chihli-Shantung contingent of the Ankuochun armies. The Nationalists drove the remnants across the Lwan River where the Fengtien armies were disposed to encircle them. The actual disarming of the despised soldiery, attended by considerable bloodshed, is now in progress by the Fengtien armies. This is as it should be since the Fengtien Party as a possible national organization was greatly injured by the disrepute into which Chang Tsung-chang and his hordes dragged the Ankuochun. The chauvinism of Chang Tso-lin in continuing his sponsorship of Chang Tsung-chang long after the administration of Shantung became a national stench was paid for by his own life and the cohesion of his party. Thanks to the common fear, hatred and suspicion of Japan among all Chinese parties, the cooperation of the Nationalists and the Fengtien Party has been made possible in the worthy cause of eliminating Chang Tsung-chang.

Reports of reorganization and disbandment continue to be published by each of the four big Nationalist militarists as well as by Chang Hsueh-liang. So far as can be ascertained, reorganization and consolidation of units are actually being accomplished. Irregular organizations such as are a liability and which are too weak to resist the regional military chieftans are being disbanded. Some units of the Fourth Group of Armies have placed their arms in storage and have been sent to

constructive work (cynically the erection of barracks). Since in China soldiers are largely untrained men with arms in their hands and since men are everywhere, militarists are not disbanding so long as the arms remain their personal property. Such reorganization as has been observed has strengthened rather than weakened the individual militarists in that it generally involves a substitution of fit men for unfit ones. As yet no reliable information can be obtained of any appreciable diminution of armed combatants.

Civil disorders at the present time are quiescent following a period of activity during July and August. Feng Yu-hsiang has been able to concentrate his efforts against the bandits and irregulars in Honan and Shensi and temporarily to disperse them. The disorders in this area, more or less chronic, are due to wretched economic conditions aggravated by the machinations of Feng's enemies outside of the provinces. Much interest has been manifested in rumored Mohammedan discontent in Kansu. All details are lacking but Feng has seen fit personally to go as far west as Sianfu. The most serious internal disturbances are in southern Hunan and Kiangsi and along the northern border of Kwangtung where Red bands are preying on the unhappy country for their own purposes and recurrently being employed in the larger factional intrigues. In Kwangtung itself large areas are controlled by local chieftans owing allegiance to no faction, while in the rest of the province the tension between the Canton and Kwangsi factions represented by important military units is never relaxed. It is here that the possibility exists of active friction which may set off the conflagration involving the combined forces of Chiang Kai-shek and Feng Yu-hsiang against the Kwangsi Party assisted probably by Yen Hsi-shan and the Fengtien Party.

Much discontent exists in Hopei against the Nationalist regime because of the large numbers of troops being quartered in the province. Due to the removal of the capital and the practical cessation of railway

communications, business in Peking is very bad. Many shops, restaurants and entertainment houses are closing. Thousands of petty officials are in poverty. The only cause for optimism is that all over China, except for isolated spots, the crops are excellent.

2. Military Situation.

The only military operations which can be intelligently followed and which occasion any immediate concern from a foreign point of view are those in northeast Hopei (Chihli). As previously described in situation reports, the three Nationalist columns of Pai Chung-hsi converged on the Tongshan area where the main concentration of the Chihli-Shantung troops had been established for several months. No doubt existed about the final results of the operation once an agreement had been effected between the Nationalists and the Fengtien Party, whose armies remained in control of the area east of the Lwan River.

Many versions have been announced as to the method of cooperation which would be employed by the Nationalists and Fengtien in disarming the armed mobs of Chang Tsung-chang. As a military operation it was not difficult, but as an economic problem it involved the question of responsibility and cost of rehabilitating perhaps some 50,000 to 80,000 men as against the accumulation of some 30,000 rifles, numbers of guns and other costly equipment. It involved also the problem of preventing destruction of lives and property in an important industrial area. According to a statement of Pai Chung-hsi, Fengtien had agreed to hold the line of the Lwan River and permit the disarmament to be effected by the Nationalists on the west bank. As it transpired, however, Fengtien permitted the crossing and proceeded themselves to effect the disarming on the east bank. This is now in progress, and is being met with serious resistance. The indications are that Fengtien arranged their participation in a manner to accumulate the considerable munitions and equipment remaining in the Chihli-Shantung remnants.

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Lutai was captured on September 5th. Tongshan was flanked out from the direction of Fengjen by the main Nationalist column, which had advanced along the Peking-Shanhaikuan motor road, and was entered on the 9th. The main body of Chihli-Shantung troops withdrew steadily along the railway with no resistance except small rearguard engagements, largely conducted by the Russian-manned armored trains, at Kaiping and Kuyeh and crossed the Lwan River at Lwanchow unopposed by Fengtien troops stationed there. By September 12th, they were practically all east of the river and were continuing their retreat toward Changli. Meanwhile the Fengtien troops whose intentions had been obscure (some actually were evacuating toward the Wall) formed a line near Shihmen parallel with the Lwanho and began to reinforce the line with troops returned from Manchuria. On September 12th or 13th the disarming commenced and resulted in a fight with the armored trains. These were captured, but the Fengtien line was forced back to the Anshan district. The Fengtien 16th Army sustained heavy losses here, and the 10th and 20th Fengtien Armies were rushed back from Manchuria. The Nationalists, by agreement, remained on the west bank of the Lwan. The disarming is in progress at the close of the period of this report. The fighting continues while efforts are being made to enter into negotiations.

Throughout all of the maneuvering of the Nationalists, Chihli-Shantung and Fengtien troops in the area the most scrupulous care has been observed by all groups to avoid any violence to foreign life and property. A British battalion was occupying the Kailan mining area and not only was there not an unpleasant incident but the Chinese commanders manifested noticeably friendly sentiments toward the British personnel. The same concern to avoid friction with foreigners was freely expressed in the Chinwangtao-Peitaiho area, where there were small numbers of British, French, Japanese and American troops, as well as warships. One cannot fail to observe that since 1900 Chinese organizations have never failed to respect foreign lives and property except when incited by

radical agitators or when acting under the assumption that foreigners were hesitant or unable to employ even the slightest protective measures.

The unimportant reaction against Nationalist control in the area about Chefoo created by remnants of Chang Tsung-chang's army, which the Nationalists had neglected to disperse, finally collapsed on September 3rd, upon the approach of a Nationalist detachment under Liu Chen-nien.

Sino-Japanese Diplomacy.

No information either from Chinese or Japanese sources indicates that the diplomatic deadlock between the Nanking Government and Japan has been broken. Both sides cling to previously announced technicalities as regards the adjustment of the commercial treaty. China, meanwhile, is not seriously pressing the "interim measures" against Japanese subjects. No steps are known to have been taken looking to a settlement of the Nanking affair or the Tsinan affair. Agreements with Manchuria, if made, would be subject to repudiation by Nanking, and Japan at present appears to be unwilling to discuss Manchuria with the Nationalists. Whereas certain Japanese officials in China are said to urge negotiations with the Nanking regime, the Foreign Office supported by the military officials insist on dilatory tactics, acting under the conviction that the Nanking Government is a temporary regime.

China can accomplish no reconstruction, and peace in the Far East cannot be assured, until workable relations can be established with Japan. In view of the cumulative problems involved there can be no settlement without conscious restraint and abundant compromise on the part of China. With the military party in Japan unyielding and unimaginative as the military establishment is effective, China must perforce depart from her abstract contentions of justice and face the problem with the more practical background of expediency. The test of permanency

of the Nationalist Government may conceivably be its ability to face facts and effect some measure of understanding with Japan in spite of the senseless agitation, working on mass ignorance, which inevitably will be directed against whatever settlement may be reached. The settlement will of necessity be temporary and not ideal from the Chinese point of view.

4. Nationalist Politics.

Sufficient information is not available in foreigh cirlces to draw intelligent deductions from the recent political maneuvering within the Kuomintang Party. As someone has aptly suggested, the only incontestable evidence of strength and efficiency of the Nationalist Government is that an organization by that name still exists. The fact is, it continues to exist in its present form principally because no one of the larger factions feels relatively powerful enough to absorb it. It gives a sense of security to each of the big militarists against attacks from the others. Consequently they vie with each other in pronouncements of fidelity to Nanking. Nanking is a symbol of unity set up against external forces. As regards internal differences it is a central political cockpit wherein civilian political contestants can flutter at each other pending the time when the principals feel competent to effect military decisions, without which internal unity seems but a vague hope.

So far as can be observed nothing has occurred at Nanking since the return of Hu Han-min but flutterings of Kuomintang politicians who do not directly command troops, and a steady emergency of Feng Yu-hsiang as the dominant figure in China. The superficial harmony effected by Chiang Kai-shek's platitudes and peace-making oscillations has, in effect, resulted from a series of compromises between the personnel of the left and right wings of the Kuomintang Party in which the government has been given the burden of supporting the discordant elements of the Party in

order to keep the Party from cracking up. Numbers of radicals had to be re-admitted to important positions. The total of Chiang Kai-shek's efforts have been to make the government a vehicle for the party rather than a mechanism for governing the country. The composition of the various councils, committees and ministries which go to make up the Nanking Government is now a coalition of rightists, centrists and leftists from which any vital internal reform is impossible. Constructive measures would be difficult under such circumstances even though the government derived its power from the people. T his government when it has any mandate whatsoever derives it only from a small group of militarists whose interests necessarily clash in all vital matters. Decisions in Nanking can be expected only in internal matters that are non-controversial and of no great consequence, and regarding external affairs only when no possible criticism could be whooped up to intimidate the responsible official. Enactments directed against existing foreign privilege, whether enforceable or not, are popular and may be expected to constitute the mass of legislation.

The significance of the change in the form of the government, that is, the institution of the five councils as the superior governing agencies, is not clear. It now appears, however, that the Executive Council, tobe headed by Chiang Kai-shek and Feng Yu-hsiang, dominates all the ministries and is where the real power resides. The other councils are the judicial, legislative, supervisory and the examination board. Whereas the committee system is being retained in the Party organization, the cabinet system is to be adopted in the government.

The general impression is that back of all the political maneuvering Feng Yu-hsiang is shrewdly gathering political strength in the Nationalist Government. The idea of his undertaking a crude military coup d'etat is disappearing. Recent history shows the futility of this

course of action and Feng is proving himself too wise to adopt it. Most articulate defender of Nanking, he is rapidly becoming civil dictater of Nanking. Soon he may be in position to extract decrees from the government to legalize all that he desires to do to eliminate his rivals. Military operations will be necessary but such operations will be in defense of nationalism, regular and legal. Feng Yu-hsiang will then be dictator without violence associated with his name. This course of events would seem to be the happiest to which China can aspire.

5. Miscellaneous Notes.

The tracks are completed on the Kirin-Tunhua railway to Tunhua. The service will be formally inaugurated on October 1st. The Japanese are now pressing the Manchurian authorities for completion of agreements relative to other extensions. The continuance of the Kirin-Tunhua to the Korean coast via Keinai will doubtless proceed at once.

The Soviet Vice-Consul Naumoff, who was arrested at Changchun while en-route to Tientsin, was released on September 7th at Harbin. Unconfirmed confidential reports from Harbin state that numerous secret documents were hidden in his clothes involving suggested plans and money credits for Feng Yu-hsiang from Moscow.

The removal of the Hopei (Chihli) Political Council from Tientsin to Peking has been delayed due to a controversy over the accommodations to be provided.

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COMMENT ON CURRENT EVENTS

October 1-15, 1928

RECEIVED G-2 W. D. NOV 27 1928

1. General.
2. The New Government.
3. Membership of New Government.
4. The Politico-Military Situation.
5. The Customs Squabble.

1. General.

On October 3rd, the organic law, which allegedly expresses the will of Sun Yat-sen providing a five-power government, was promulgated by the Central Executive Committee of the Kuomintang Party. The law is not to be confused with a constitution, the preparation of which was decreed by the Fifth Plenary Session but which does not now exist. In a resolution passed by the C.E.C. at the time of promulgating the organic law it was clearly provided that the supreme power remains with the party, while the government created by the law is responsible for administering the country subject to the law as interpreted by the C.E.C. and the Central Political Council of the Kuomintang. This retention of supreme power in the hands of the party is quite in keeping with the ideas of Dr. Sun for the period of "political tutelage", which period party leaders declare has now been entered. On October 10th, the anniversary of the birthday of Confucius and the outbreak of the 1911 revolution at Wuchang, the personnel of the government council and the heads of the five yuans were formally installed. The new government was launched, and the first sitting of the council was announced for October 16th.

The military situation in northeast Hopei has almost entirely cleared. While the Lwan river remains the dividing line between the Nationalist and Fengtien occupied areas, no agreements have been announced as to the future status of this territory. Many Nationalist troops have been withdrawn southward from the Tangshan area. The threatened advance of Fang Chen-wu against Jehol has not materialized. The latest indications

are that the Fengtien authorities insist on retaining Jehol, in which event they would for strategic reasons not abandon the triangle between the Luan river and the Great Wall.

Despite much publicity and deliberate misrepresentation, there is little absolute change and little relative change in the armed forces of the big militarists. Feng Yu-hsiang has publicly announced in Nanking that he has effected reductions in his force of more troops than, according to the best information, he has ever been able to arm.

There have been postal strikes in Shanghai and Peking inspired, it is believed, by radical agitators rather than reasonable economic demands. The government has temporarily tided over the embarrassment by making unsound concessions to the postal union, playing politics within the postal organization, and further disregarding the decencies respecting the pay of valuable foreign personnel. The situation so far as known in the Salt Gabelle has remained unchanged since last reports. The Customs service has been greatly disturbed by the opportunities for inroads into its remaining position afforded the Chinese by political and personal bickerings of two very mediocre British incumbents of the posts of Acting Inspector General and Deputy Inspector General.

The National Government has succeeded in effecting settlement of the Nanking incident with France and Italy, and is busily occupied with actual or preparatory negotiations with those countries, except Japan, whose present treaties have lapsed. The opinion in Japan and China is increasingly optimistic that the ground is being cleared for vitally important negotiations between the two countries on the many outstanding questions.

2. <u>The New Government</u>.

The text of the organic law defining the main functions of the five-power government and the resolution passed at the time of its promulgation by the Central Executive Committee were given in Report No. 7338.

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The detailed functions of each of the five yuan are not yet promulgated but are to be determined "according to law". The law, which is in no sense a constitution or bill of rights, provides for two branches of government in addition to the customary executive, legislative and judiciary. These were advocated by Sun Yat-sen as worthy features of ancient Chinese forms. The sacredness of the old examination system has been recognized in the institution of a modern civil service under the name of Examination Yuan. The old board of censors has been perpetuated in the Control Yuan with powers widened so as to exercise general supervision over the activities of all officials.

A reading of the organic law gives a fairly clear idea of the functions of the National Government and will not be discussed. While the preamble states that the purpose of the "model government" is "to train the people so that they are able to exercise their political powers and to facilitate the party in hastening the handing over of such powers to the people", the law in no way mentions existing powers of the people. The ultimate source of power by virtue of which the government is established is not the sovereign people but the "Kuomintang in fulfilling the duties of direction and supervision of the Nationalist Government devolving upon it by virtue of its history....". Again, "The Kuomintang of China, in pursuance of the Three People's Principles and the five-power constitution, hereby establishes the Republic of China". The government is frankly a creature of the Kuomintang and as is plainly stated in the resolution passed by the C.E.C. at the time of establishing it, the organic law is subject to the interpretation and amendment by the C.E.C. and the Central Political Council. It is frankly a party dictatorship. Unfortunately the claim of authority is not absolutely clear-cut from the Central Executive Committee to the government council since the old Central Political Council (a party organ) remains to exert a lateral interference, as will be seen from the above mentioned resolution.

Whatever the present inflated personnel of the Kuominchun Party and the active group of government makers at Nanking may be, it must be recognized that in the ultimate analysis the persistent Cantonese have at last impressed a government upon a great part of China. It should not be overlooked that in many struggles yet to come, as in the past, we shall observe the wealth and experience originally gained in Co-hong days in Canton, and continued in direct line until today, in conflict with all that is not Cantonese. On the battlefield, in the market, and in the forum, whatever the deceptive superficial evidences may be, we shall see the closely knit Cantonese forces arrayed against all the rest or manipulating the rest for their own purposes. It is only when Cantonese manipulation becomes too complex and breaks down and the non-Cantonese, principally northern Chinese, resort to arms that the Cantonese system momentarily fails. It may not be unreasonable to expect the wealth and experience rapidly developing in Manchuria some day to rival the Cantonese position. If that day arrives, some military misconceptions built up in 1926 and 1927 will be rudely shattered.

3. Membership of New Government.

Following are lists of the members of the Government Council and the directors of the five yuan respectively; installed on October 10th:

Government Council	Directors of Yuan	
Chairman - Chiang Kai-shek	Executive	- Tan Yen-kai
Hu Han-min	Legislative	- Hu Han-min
Tan Yen-kai	Judicial	- Wang Chung-hui
Wang Chung-hui	Examination	- Tai Chi-tao
Tai Chi-tao	Control	- Tsai Yuan-pei
Feng Yu-hsiang		
Sun Fo		
Chen Ko-fu		
Yen Hsi-shan		
Li Tsung-jen		
Li Chai-sum		
Ho Ying-ching		
Chang Hsueh-liang		
Lin Sen		
Yang Shu-chwang		
Chang Chi		

4. The Politico-Military Situation.

All parties and individuals can conveniently be invested with the sacred name of Kuomintang; factions all over China can fly one flag and call themselves nationalists; but the antagonisms which have grown through the years are not thereby wiped out. The symptoms of hopelessly faulty economic systems, namely, militarism and banditry, may momentarily be suppressed, but fundamental economic reforms cannot be effected by mandate. It is doubtful if any government in China, however constituted, can deeply effect internal reforms without assistance from the outside. Hatred, suspicion and mistrust, based on racial and geographical differences, cannot be effaced by bowing to a paper and bamboo device marked "Unity". Personal animosities have been hidden but not removed by recent emotional conclaves.

Today the fundamental causes for all the weakness of China, the evidences of which have been somewhat obscured by the partial revolution, still exist. A quiet period exists, a period of exhaustion; the protestations of devotion to the cause of unity continue, but somewhat more faintly. The spirit of the revolution has disappeared. Men who a year ago were near-communists are now boosting the necessity of capital - and foreign capital. The pendulum is swinging widely toward reaction. If the altered inspiration were based on intelligence, one should have cause for optimism but such extremes of viewpoints of important leaders in such brief intervals do not smack of intelligent reasoning. The traditional spirit ofcompromise seems to have invaded Nanking and the evils of Peking regimes are a natural step. The militarists are observing political developments and pretending to obey Nanking. They offer their services to Nanking with a suspicious amount of publicity but not in Nanking. Admitting the truism that even China does not stand still, there are so many features in the relationship between the government and the men who hold the power, namely, commanders of troops, that were common to past Peking regimes that one wonders how far China has progressed with all of the recent bloodshed. One sees so many evidences of activities that are unrecognizable as contribu-

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tions to the strength of the central authority that one feels the present calm cannot last long.

Chang Hsueh-liang, with Japanese thumbscrews tightly pressing him and with reactionary Manchurian generals embarrassing him, hopes for benefits from affiliation with Nanking. He doubtless has some genuine patriotic impulses. He nevertheless cannot countenance the Nationalist flag being carried into the badly administered Jehol area by Fang Chen-wu who is known to owe allegiance to Feng Yu-hsiang. Jehol is in danger if the Nationalists occupy all of Hopei to the Wall. While there has been much propaganda designed to encourage the capture of Jehol by Fang Chen-wu, Chiang Kai-shek, Pai Chung-hsi and Yen Hsi-shan have shown no disposition to press this campaign, nor to urge the occupation by Pai Chung-hsi of the area north of the Luan River. Present indications are that Fang Chen-wu, while disposed to invade Jehol, alone is too weak and other troops are not preparing to assist him. There is no unity of action where newly acquired territory may enhance the strength of a particular militarist.

Yen Hsi-shan is building barracks at Tatungfu and also a personal headquarters. His subordinates state that after a proposed visit to Nanking he will carry out his duties from there. This suggests that he may suspect eventualities making it expedient to have his forces and himself with a foot on base.

Feng Yu-hsiang, after considerable vacillation, went to Nanking on October 13th. Nobody thinks that he will remain there personally but, like Yen, will remain securely in the midst of his troops in the area which he, not Nanking, controls. It is difficult to believe that a nature like Feng's can long submit to Cantonese political dictation, or that he can cooperate indefinitely with the un-Spartan like Chiang Kai-shek. Li Tsung-jen after being installed in his Nanking offices proceeded to Hankow to maintain his military and political fences. The arsenals at Mukden, Taiyuanfu and Hankow are active as during the war. Feng, as always secretive, is reported to be moving and concentrating his arsenals somewhere west

of Kunghsien. He is active in preparation like the rest. Chiang Kai-shek and Li Chai-sum are concerned with war materials which cannot be designed for external wars.

The foregoing are only a few of the outstanding indications of the stresses existing in the politico-military structure of Nationalist China. It is difficult to see how they can be relieved without further civil wars.

5. The Customs Squabble.

It will be remembered that on the dismissal of Sir Francis Aglen in February, 1927, Mr. Edwardes was appointed Acting Inspector General by the Peking regime. Sir Francis was subsequently allowed to serve another year on leave of absence in England. Just before this year was up, the Nationalist Government proclaimed that it should recognize no appointments of Peking. The head of the Customs was then left in an indeterminate position. In the spring of this year Mr. Edwardes sent south to endeavor to reach a modus vivendi, but Nanking's thoughts at that time being wholly engrossed with the northern expedition, nothing was done. At a later visit to Shanghai in September, Mr. Edwardes succeeded in exacting a promise that his position would be regularized. After his return to Peking, on October 2nd, the Government named Edwardes Acting Inspector General, but to his surprise, at the same time appointed Mr. F. W. Maze Deputy Inspector General.

Since the time Edwardes became Acting Inspector General last year a bitter fight has been waged, not always behind the scenes, between him and Maze, who as a Commissioner is senior to Edwardes. Maze has played Nationalist politics with no small success. Many foreigners in the Customs state that he is ambitious and has gained his position by making promises to the Chinese which will result in injuring the service and endangering the securities for the loans dependent upon customs revenues. Edwardes is an excessively self-centered and vain individual and is known by the Chinese to be unsympathetic with them. He has antagonized them unnecessarily even though technically he has generally adopted a sound and conventional

attitude in maintaining the integrity of the service. He rather than Maze represents the conservative British point of view. His stubbornness has been frequently mistaken for strength, but he is a man of ordinary character and of mediocre ability. By those men who know him most intimately he is considered a typical case of run-down aristocracy.

Foreigners in the Customs prior to recent events strongly favored him above Maze. They probably still do, though now his own staff and, it is believed, the British Legation, are aware that they have two unfortunate nationals to choose between.

When Edwardes found that he had been saddled with his arch enemy as deputy inspector general he disclosed a side of his character to his staff which hitherto was not known. Forgetting all impersonal interest in a service which has boasted a fine espirt de corps and upon which many millions of Chinese loans are secured, he gave vent to a fit of sullenness and anger, magnified his own dignity, with which in his personal relations he has too often been unconcerned, and threatened to deliver an ultimatum to the Government which would have precipitated his retirement. Hesitating to accept his appointment, he expressed a determination to throw up the sponge, to the great concern and disgust of his staff. There followed scenes in which his own admissions of selfish interest lost him the respect of his staff. These would readily have advocated his retirement had there been any British national other than Maze to replace him. As it was they pressed him and cajoled him into continuing a fight for the Customs service. Withholding or postponing his ultimatum, he was induced to go to Shanghai where he is at present personally negotiating to find a position by which he can retain his dignity, and authority over his subordinate Maze. Meanwhile he has to a great extent alienated the respect of his personnel, some of whom now hope for the retirement of both Edwardes and Maze.

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October 15-31, 1928

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1. General.
2. An Admirer visits Nanking.
3. Miscellaneous notes on Governmental Affairs.
4. Discontent in the North.
5. Politics in the Peking-Tientsin Area.
6. Situation at Chefoo.
7. Sino-Japanese Affairs.
8. Sir Frederick Whyte is Disillusioned.

1. General.

The period has been marked by no military operations. Infact no military changes whatsoever have been discernible. The outstanding events have been the Sino-Japanese preliminary negotiations at Nanking and the continued organization of the various governmental departments provided in the Organic Law. The first session of the government council was held on October 16. Appointments of officials have been announced from time to time and certain detailed regulations for the internal organizations of the administrative departments have been promulgated. From the details so far announced the general theory of the working of the government and the relation of the government to the Party organization are fairly understandable. The least clear features are those in connection with military affairs. Inevitably, in practice, the armies of China will be the last of the institutions to be nationalized. Consequently the administrative details of unified military control is a delicate subject to approach even in theory.

It is utterly impossible at this time by any handling of the mass of detailed information, related and unrelated, to arrive at any logical conclusions as to what may be expected of the new government. One can only be certain that, in addition to the seemingly insuperable obstacles to reconstruction which face the government, from this time forward the Chinese public will have done with revolutionary phrases and will heap upon Nanking the responsibility for all that does not go well. Internally, the familiar targets such as the "Rotten Peking Government" and "Northern Militarists"

have now been removed, and Nanking has emerged from an alluring revolutionary white-hope into a responsible reality. Already the shafts of criticism are beginning to be directed Nanking-ward and they will thicken during the coming months. It must not be thought that only the enemies of the Kuomintang will join in the attack. Of these there are a plenty : the radicals, the Kuomintang members not of the elect group, and the vast body of old Chinese officials of all parties who are left out in the cold. The most harmful criticism may come from the large groups of erstwhile over-hopeful admirers of the revolution, largely foreign, if and when their disillusionment becomes acute. As Nanking becomes reactionary, as is more or less inevitable, the emotional admirers must find new gods. Fundamentally these foreigners tend not only toward pacifism but radicalism as well, and in their natures they expect more of any Chinese government than such government can accomplish. The world's approval of the Kuomintang program was based largely upon the publicity of this group of people, and Nanking can ill afford to estrange them. There are growing evidences that the group of practical Chinese politicians in Nanking already are failing to satisfy the idealism of their strongest backers. As Nanking begins to manifest the limitations and possibly the vices of former Peking regimes it will demonstrate how incomplete the revolution has been, and other phases of the "Chinese Situation" may then be expected. The interesting condition has arisen when the "die-hard" is beginning to accept Nanking as the best available hope for law and order; the idealist is looking afield for something better.

Crop reports in the late summer were generally favorable for the greater part of China. Late reports indicate that large areas in different parts of the country will suffer from hunger as a result of droughts, floods or locusts.

2. <u>An Admirer visits Nanking</u>.

"Day by day the reports state that the newly-appointed officials of this or that department in the national government have assumed office. The various parts of the new administrative machine, that is, are getting

into place, and the wheels are beginning to turn. Inevitably the gears grind a bit-partly because the machinery is new and partly because there is less of the oil of complete accord than is desirable. Nor is it to be expected that the machine will work even approximately perfectly for some time to come.

"The really significant question, however, is not whether the machine will work with even approximate smoothness. It is whether it will continue to work at all".

The foregoing quotation is from a leader by Mr. Grover Clark who is a well known optomist regarding all nationalist activities. He has recently returned from Nanking where his observations caused him many forebodings. Frankly he is disillusioned by what he himself uncovered. Mr. Clark's real emotions are stirred by the Chinese people, the under-dogs. While his estimate of the political groups which may best further the interest of the under-dogs is sometimes faulty and while he is very susceptible to fine words uttered by very self-seeking men in the name of "the people", Mr. Clark, be it is said to his credit, is incapable of resting content with a panacea which ultimately has proved itself false. An idealist, he cannot defend the best available Chinese government but must needs cry aloud for particular representative forms of government, which the present development of the Chinese people cannot support. The Nationalist gods he has so long defended have disclosed clay feet, if indeed not cloven hoofs, and Mr. Clark is now in search of new gods. His unsoundness is that he must set up gods in a world of men, even in a world of Chinese politicians. C.T. Wang's offer of a subsidy for the hard-up "Peking Leader" seems to have shocked him. In view of the Leader's long dependence upon Chinese subsidies in various guises, the refusal to accept this subsidy is an evidence of disillusionment regarding the Nanking regime which is very significant.

Mr. Clark discovered that :

"At present the whole government, from the central executive committee of the Kuomintang down, is controlled by a very small group of men. The administration is much like a spinning top, which maintains its equilib-

rism for the time being by the momentum given it by the recent successes. But that momentum will not last forever. A collapse is certain before long unless the foundations of the administration be broadened out, unless a wider variety of interest and point of view be brought in and given a real share in affairs.

"This, necessarily, will mean certain changes in personnel. But changes in personnel will mean the breaking up of the present system of interlocking directorates. Is that possible without wrecking the machinery?".

The article in question ends with a statement which shows that Mr. Clark's visit to Nanking has introduced doubts into a nature otherwise serenely idealistic and optomistic regarding Chinese affairs.

"A dictatorship of some sort is needed at this time. But it must be a dictatorship by a group which is constantly expanding by bringing into itself representatives of the various important interests in the country. And it must be one which is looking toward its own elimination at the earliest possible date".

The cold facts of the political jockeying in progress at Nanking should dispel any hopes that the dictatorship of the small group of men, however benign, is being built up for self-effacement at the earliest practicable date.

The foregoing opinions expressed by and regarding Mr. Clark are mentioned for the reason that they are applicable to a large class of Americans in China who should be considered strongly partisan. In view of the aid and comfort which this class has unwittingly given to communists in the past, and their insistence recurrently upon setting up capable politicians as gods, they should often be described as blindly partisan. The misconception of realities in China created in America in 1926 and 1927 by this class was sufficiently grave to warrant careful observation of their present reactions. In their eagerness for the social and political transformation of China they may adopt strange and radical enthusiasms in the future to hasten the rehabilitation of China to a degree which the present National government cannot be expected to accomplish in the immediate future.

In their disillusionment at the mediocre success of the present regime, which I believe to be inevitable, I fear the adoption by this partisan class of all the suggestions which a psychologically alert 3rd International will be prepared to insinuate into the Chinese situation - suggestions which, duly broadcast, will create further misconceptions in America and materially assist a possible communist revival in China.

3. Miscellaneous notes on Governmental Affairs.

While it is in keeping with the principles of Dr. Sun to maintain a strict party dictatorship during the period of political tutelage, the recent distribution of personnel at Nanking among the key positions shows that there has been instituted a closely interlocking directorate within the party itself. Naturally the favorites of the "Soong Dynasty" surrounding Chiang Kai-Shek do not exclusively hold the key positions but they are so distributed as to throw more political weight than any other group. At least they have subjected themselves to the charge of having instituted a one-group government if not a one-man government. It is only the military strength and dominating personality of Feng Yu-hsiang which prevents a Water-tight dictatorship.

An examination of the lists of membership of party and government organs will reveal certain names which recur with notable frequency. The order recently promulgated that a man can hold but one administrative post in the government, or at least draw the pay for but one position, is sound, but remembering that the actual and ultimate authority resides in the party committees, the order does not cause such deprivation of power as might superficially appear. The order would be really effective in curtailing power and income if it applied to party organizations as well as administrative. The suspicion of efforts toward the perpetuation of the present "closed corperation" is justified by an order of the C.E.C., published on October 25, which provides for a national congress of the party to be held on January 1, 1929. This congress elects the Central Executive Committee. The present committee ruled that half the delegates would be appointed by itself and the other half by the local party branches. There is little subtlety in

this device but considerable political wisdom. A congress of men at this time in the china shop of Nanking, even as remotely representative of the people as appointees of local Kuomintang chapters, would be too boisterous to insure absence of breakage of fragile political objects d'art. The present guardians of Chinese liberty are loath to relinquish their trust to neophytes in the serious business of governing.

Observers in China manifest considerable interest and no little admiration for the new national government as a political accomplishment. Grave doubts are justifiable as to whether the government as established is in reality a governing body or a stage play with plot, cast of characters and property complete. Search as one will, little relationship can be found between the government at Nanking and the great Chinese people. Local authority whereever encountered is found to be only remotely tied up with Nanking. Military commanders publicly assert their obedience to the central government but local decisions are based upon local exigencies. The innumerable decrees of Nanking dealing with ceremonials, customs, costumes and weighty matters of law seem to be equally disregarded by local authorities. Responsibilities assumed by Nanking, duly promulgated, are immediately forgotten. One can find so little of reality to all the fine structures in Nanking designed to impress. Whatever is substantial is deeply hidden ; the make-believe features are daily in evidence - and in print.

The persistent rumors of officialdom in Nanking deriving great benefits from the land boom in the bustling capital are believed by many Chinese. Knowledge of facts in past similar situations hardly warrant foreigners in disregarding Chinese charges against their own people. Chiang Kai-Shek's expenditures cannot be met by his official wage. With railways crying for equipment, officials of no great consequence still travel in private trains. The Central Bank of China, a semi-private institution which also will control the lucrative mint, is starting under circumstances which cause foreign bankers to suspect it of being another institution of plunder for politicians.

Feng Yu-hsiang has gone to Nanking and has accepted <u>two</u> administra-

tive posts, namely, Vice Chiarman of the Executive Yuan and Minister of Military Affairs. Feng has a closely knit military organization with commanders personally and devotedly attached to him. The affairs in his provinces are in such order that he dares remain in Nanking. He feels himself strong enough to enter the political currents and even to influence them. With the best striking army in China, Feng as Minister of Military Affairs will occupy a dominating position. It is generally believed that as the groups surrounding Chiang Kai-Shek lose influence by their incapacity to govern effectively, Feng will be on hand to take over the power. Yen Hsi-Shan, on the other hand, politically unambitious and not too shrewd, knows that Nanking holds nothing but oblivion for him. His military backing is not cemented by the unyielding material that Feng has employed, and Yen does not dare leave his subordinates to resist the blandishments of Feng's agents. He remains in the north and adds very modern additions to his private arsenal at Taiyuanfu as if the military period had not yet ended.

4. <u>Discontent in the North.</u>

The Chinese of Peking and Hopei generally feel that Nanking is deliberately penalizing the old stronghold of reaction, or at least is through neglect permitting undue suffering in the area. The big overload of population in Peking which was dependent entirely upon the existence of the capital must suffer due to irrevocable economic laws with the removal of the capital. The people of the province of Hopei must support the victorious and defeated troops which find themselves at the end of the campaign concentrated in a restricted area so long as the Nanking Government cannot obtain funds to discharge the defeated troops and rehabilitate the armies from the south. However natural the causes for the distress in the north, the relief from militarism and taxation long promised by the Nationalists has not been realized, and disillusionment is undeniably creating a feeling of bitterness. The generality of Chinese in the north smile cynically when refering to the promises the nationalist government. Open criticism is beginning to be heard on all sides. The common people already by a play on characters have coined some hummorous modifications to the nationalist slogans.

The sacred San Min Chu I have been altered into vulgar phrases. Since "Nanking is a southern government how can we expect anything?", they say.

The railroads of the north are still barely operating. Trade which would quickly restore livable conditions in the cities, hence content, continues handicapped by lack of railway equipment. The present obstacles to the return of the equipment from Manchuria are not known to the people, nor do the people know that with the slightest military prevision the equipment could easily have been prevented from going to Manchuria. The people are sure only that the revolution has brought them disappointment and distress.

5. Politics in the Peking-Tientsin Area.

Little is understood of the political influences at work in this area. Pai Chuang-hsi remains the disturbing element and at present appears to be attempting to replace Yen Hsi-Shan. An unverified report, however, states that Pai has been designated by Nanking to take over Sinkiang. A Kuominchun adherent informs me that Pai is "shaking hands" with Fengtien in order to strengthen his position while Feng Yu-hsiang encourages Pai's encroachments upon Yen Hsi-Shan with a view later to taking over the area as friction increases. Chen Ming-Shu, the Kwangtung adherent of Chang Kai-Shek, is in Peking on some unknown mission, as is also Chen Tiao-yuan. The present indications are that Nanking is indirectly trying to curb Pai Chuang-Hsi's ambition. Fang Chen-wu remains facing Jehol but, due to Fengtien's objection, is at present showing no military activity.

6. Situation at Chefoo.

Following the political assassinations carried out under the orders of Liu Chen-nien during the first part of October, conditions in and around Chefoo have been relatively tranquil. Here is a situation which could be found only in China. While declaring himself a Nationalist, Liu Chen-nien assumed the power in the district by a coup d'etat on August 30, and has since maintained himself by force. Coolly murdering Nationalist agents sent to control him, he pockets all taxes and probably negotiates secretly with

the old Chihli-Shantung generals in Dairen. Coupled with the foregoing vices, the man has according to our Consul, most moderate and constructive tendencies. He maintains strict discipline, effectively suppresses drinking and opium smoking, is well liked by prominent Chinese and applies his taxes with intelligent regard for the maintainance of trade. In the midst of what seems to be a most temporary burst of power, he runs a military school at which 500 students under training. This nest of reaction will ultimately have to be liquidated by the Nationalist.

7. Sino-Japanese Affairs.

Great expectations arose when Mr. Yada, Japanese Consul-General at Shanghai, proceeded to Nanking on October 18, to conduct negotiations with Mr. C.T. Wang. He was received with the honors due an ambassador. During a week numerous meetings were held. The Japanese and Chinese press published contradictory and confusing accounts of the discussions, most of which are believed to have been purely speculative. It is safe to assume that neither the Chinese nor Japanese representatives divulged the real substance of the negotiations. Optomistic reports appeared for a time as to the outcome of what later were announced as "preliminary" negotiations. The discussions ended on October 26, with nothing accomplished in the way of a settlement of the really vital questions involved. The local Japanese officials have state that the optomistic announcements were without foundation and intimate that little progress was made in reconciling the fundamental differences. Feng Yu-hsiang is said to be exercising close supervision in Nanking over the negotiations with Japan.

Meanwhile, as nearly as can be ascertained, with the departure of reservists and certain auxiliaries on October 24 and 25, the Japanese forces in Shantung are now reduced to between 6000 and 7000 men. The 3rd Division at approximately peace strength is preparing to remain in Shantung over the winter.

8. Sir Frederick Whyte is Disillusioned.

A British Secretary, of very liberal views, who has always held notably sympathetic and optomistic views concerning the nationalist movement

tells me that his legation has information that Sir Frederick Whyte, whose practical and scholary opinions the legation highly values, has been sadly disappointed with his recent intimate observations at Nanking. Sir Frederick Whyte has been a very sympathetic publicist for the Nationalist cause and has been closely associated with nationalist leaders who hold him in great esteem. He has been forced however to admit that the high hopes he had placed upon the leaders of the movement to accomplish the rehabitilation of the Nation have been dashed by his careful investigations within the Kuomintang Party and the National Government.

Sir Frederick has no official relations either with the British Legation or the Chinese Government. Aside from journalistic work, however, he does have personal connections with British officialdom at home in whose interests he performs unofficial service in diminishing the friction between the Chinese and British Communities. In this peace-making capacity, he has been a great asset to British officialdom. Due to his known honesty and fearlessness of expression it is a little feared by the British that his more intimate knowledge of Chinese affairs may cause him to be transformed from an asset to local officials into a liability.

John Magruder,
Major, General Staff,
Military Attache.

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1. General.

The only military movements approaching civil war are reported from outlying provinces in the southwest. The situation in Yunnan, Kweichow and Szechwan is as yet too obscure to disclose its character, that is, whether it consists merely in relatively unimportant local friction or is of general significance. Pai Chung-hsi, whose ambitions have been a disturbing element in the Peking-Tientsin area, seems to have had his wings clipped by common consent of the other militarists. Credit for this must be given to unity of action which in certain instances is facilitated by the mechanism provided at Nanking. Military reorganization continues laboriously, accompanied by little disarmament or appreciable disbandment, and in the process slight optimism is expressed that the larger military groups are not continuing along independent lines of action. A conference of all the leading militarists has been called to take place in Nanking on December 1st. At this conference the adherence of all the major groups to the authority of the central government will be urged.

At Nanking a large field of diplomatic negotiations is being worked by the Minister of Foreign Affairs while the Minister of Finance is pressed with numerous problems involving customs and salt services and internal financing. The Kuomintang Party committees, meanwhile, have been faced with critical questions centering about party discipline and arrange-

ments for the over due national party congress, which latter involves the prepetuation of the personnel of the party leaders in office. The congress previously called for January 1, 1929, has been postponed until March 15, 1929. A conference on the important matter of opium suppression adopted resolutions which indicated an appreciation of the menace of the opium traffic and a genuine desire to suppress it. This, however, is one of those intrenched evils involving huge amounts of money, aside from tenacious habit-forming features, and can be eradicated only after the government has been greatly strengthened by patient and very sound economic policies extending over a period of darksome years. The dignity and sincerity of the conference were marred by a palpable reversion to cheap publicity methods when an appeal to the assistance of the world was founded upon an absolutely false statement to the effect that the bases of operations of the traffic are sheltered in foreign concessions.

Over the confused and confusing atmosphere of Nanking looms the figure of Feng Yu-hsiang who is recognized as the most potent and most inscrutable personality in Chinese affairs. If Chinese opinion is accurate, Feng in due time will weary of the pretense of powerless politicians and assert his will in a manner which he has not disclosed perhaps even to his closest subordinates.

Manchuria gradually is regaining its normally pre-eminent place as a factor in Far Eastern politics. Moscow and Tokyo have very serious concerns about this area wholly independent of the Chinese interest. In the internal affairs of China, Manchuria's rapid development inevitably give it vastly increased weight. It is probably only the evil of Japanese pressure which creates the benefits of a seeming unity with Nanking. Thanks to Japanese imposed order, Mukden governs a large revenue-producing area with greater ease and greater effectiveness than does Nanking in a corresponding area in the South. Were Japanese pressure suddenly to disappear

the sense of unity created by resistance to Japan's imperialism would be so relaxed that Manchuria might conceivably regard Nanking only in the light of a pretentious rival.

The boycott against Japanese goods is gradually becoming organized, and consequently is growing more effective and more wide-spread. The fact of organization indicates governmental acquiescence, if not motivation, and there is a danger that the movement will change from an intangible menace to Japanese trade, impossible to combat, into a weapon of Chinese diplomacy which can be met with the more powerful direct weapons available to Japan.

2. Military Situation.

As previously reported, Pai Chung-hsi, a Kwangsi party adherent who felt himself outgrowing his party, following his successes against the Chihli-Shantung remnants began to carve out for himself an enclave in Hopei. "Shaking hands" with Mukden and perhaps mildly encouraged by Feng Yu-hsiang, he seemed set upon replacing Yen Hsi-shan first in the Peking-Tientsin area and later in the whole province. The details of his manipulations cannot be understood by foreigners, but the Chinese were distinctly alarmed for fear his ambition would bring them fresh (and costly) military operations. The Chinese now are not concerned with principles or personalities; they want peace in war-weary Hopei.

For awhile Pai appears to have had some success in worming into Yen Hsi-shan's prestige. Then came Chen Ming-shu, a representative and peace-maker from Chiang Kai-shek, and others from Nanking. Unofficial rumors were published that Pai had been appointed to govern Sinkiang Province. Kashgar is a long way from fleshpots, but Pai, true to Chinese form, announced that the post was highly important — Russian intrusion — great natural resources -- he was a Mohammedan -- what could be more fitting ? of course the talk of the Sinkiang appointment was purely make-believe. What

was not make-believe was the departure of some of Pai's troops to Hupeh and a great insistence upon "reorganization" of his forces, meaning the shifting of his non-personal troops from his command. This was fairly effectively accomplished, and the latest indications are that Pai has been put in his place while Yen Hsi-shan's phyiscal condition, an index of his political well-being, is announced as vastly improved. Pai's wing-clipping may be the price Nanking had to pay to purchase Yen's attendance at the coming military conference.

The three provinces of Yunnan, Kweichow and Szechwan are under the most nominal control of the central government. At this time it appears that special interest is being manifested in Nanking in these provinces. The Consul at Yunnanfu reports that Yunnan troops are being mobilized along the Kweichow frontier and that he hears an attack on Governor Chow Hsu-chen of Kweichow from both Yunnan and Hunan is imminent, apparently at the instigation of Nanking. The situation in Kweichow is intimately related to that of Szechwan. For details as known regarding the latter complicated situation, see Situation Report, No. 7369.

3. Miscellaneous Nanking Notes.

Trouble Within the Party. Recent factional differences within the Kuomintang have demanded the attention of the party leaders. The ostensible fight has centered about the extent to which party discipline can be imposed by the C.E.C. upon branch committees and individuals; and the question of when and how the Kuomintang national congress is to be assembled. Whatever may be the immediate differences, fundamentally there must be recognized an attempt on the part of a growing opposition to revolt against the dictatorship of the compact group which now wield the power within the party, and ipso facto within the government.

In a letter from the Nanking district Kuomintang addressed to Hu Han-min, Chairman of the Organization Committee of the C.E.C., issue is

taken with some recent actions of the C.E.C. The more important complaints were the ruling that half of the delegates to the coming party congress are to be appointed by the C.E.C.; and the right of the central authorities to appoint members of the legislative yuan rather than their being elected by branches of the party. According to a Kuo Wen report, Hu Han-min stated at the weekly Sun Yat-sen memorial service on November 5th :

> "Members of the party are not free to express their independent ideas; the Kuomintang alone governs and commands. I was surprised to receive letters from the Kuomintang offices of Kiangsu and Nanking criticizing the central Kuomintang. They should address their letters of grievance to the central organ of the party, and not to me, for I am not the Kuomintang.
>
> "If the branch Kuomintang offices should have any difficulty in carrying out the orders of the central authorities, they should appeal to the central Kuomintang for instructions. On the other hand, if branch offices are free to do as they please, there will be many Kuomintangs in the country. We must therefore go to work and obey the Kuomintang."

Whereas the present regime is declaredly a dictatorship of the party, Hu Han-min's statement, made in the interest of party discipline, will not sound well when bandied by the opponents of the inside ring. The communists and near-communists, the latter of whom are most popular with Young China, will make great campaign material of this curtailment of free speech and suppression of ideas. It is well known what freedom of expression is enjoyed where radicals are in power.

The latest information is to the effect that the national party congress will be convened on March 15, 1929 and that whereas local Kuomintang chapters will elect all delegates a half of them must be approved by the C.E.C. This compromise is merely deferring the inevitable fight over delegates.

Foreign Affairs. No information is available to indicate that the impasse in the Sino-Japanese negotiations has been broken. Mr. Arita, representative of the Foreign Office, arrived in Shanghai at the end of October and proceeded to Nanking on November 1, with Mr. Nishida, Acting Consul-General

at Tsinanfu. He paid his respects to the Chinese officials but is believed to have attempted no negotiations. His principle duty, I am told by the Japanese Military Attache, was merely as liaison agent between Baron Tanaka and the various Consuls-General concerned with pending Sino-Japanese negotiations. During the first week in November immediately following Mr. Arita's return from Nanking, he was in conference at Shanghai with the Consuls-General of Shanghai, Tsingtao and Tsinan. Mr. Yada made a hurried trip to Nanking on November 8th, stating as his purpose a desire to remove uneasiness felt by the Chinese authorities that the negotiations were to be dropped. One suspects that Mr. Arita may possibly have done more than pay respects at Nanking. Whatever stage may have been reached in preparations for a continuance of negotiations, the flurry in all Japanese circles caused by the coronation ceremonies is sufficient to account for a considerable recess.

The Chinese Minister of Foreign Affairs announced that a treaty with Norway granting tariff autonomy was signed on November 13th. Negotiations are in progress for similar treaties with Great Britain, France, Belgium, Italy, Holland and Portugal. The representative of Belgium is also negotiating regarding an extension westward of the Lunghai Railway.

Anti-Opium Conference. From November 1st to 11th anti-opium conferences were held in Nanking. Many of the leaders made speeches and numerous resolutions were passed. More frankness regarding the evil of opium and its prevalence were expressed than at previous similar conferences in China. Occasion was taken by several speakers to attribute all the responsibility for the evil to foreigners, but Feng Yu-hsiang in his blunt way stated that whereas prohibition had been legally in force for many years it had failed simply because enforcement methods were faulty. He bared the real cause of the prevalence of the traffic when he said that the idea of deriving revenue from prohibition should be abandoned once for all.

Nobody questions the tragic effects of the use of opium and its derivatives upon the Chinese people. Nobody doubts that the officials in

Nanking seriously desire to eradicate the evil. Even with the wisest regulations and the most determined attempts to enforce them China will long suffer from laxity in the past which permitted the smoking habit to fix itself upon such a large part of the population, and to the avariciousness of officials who developed the opium traffic as the principle source of revenue. The opium traffic is woven into the fabric of the Chinese economic system. It has become a medium of exchange with values as standard perhaps as the chaotic currency itself. There is today perhaps not a single official organ, civil or military, whose revenue is not partially dependent upon the taxes derived from opium. The taxing begins with the acreage of poppies planted and does not end until the opium is consumed by high officials and coolies. All over Peking today soldiers dispense the drug for $3.50 an ounce which their commanders purchased near the source for $0.30 an ounce and transported free on government railways. It is the same everywhere in China.

On the same day that I read the appeal of the Nanking conference to the world to assist China free herself from the curse on the score that the traffic was based in foreign concessions, and there protected, I saw an actual photograph taken by a missionary in Szechuan and forwarded through the Hankow Consulate of a junk loaded with 10 tons of opium starting on its way down river. The missionary stated that another junk followed on which were 5 tons more. This cargo was destined to be taxed en-route innumerable times by militarists and civilians. It was to be passed through the foreign-controlled customs barriers either by military force or by the most outrageous bribery and subversion of the native staff. Taxes on this cargo were to benefit illegally many defenders of the nationalist cause and legally to bolster up the weak finances of the Nanking government itself. Magnify the difficulties of enforcement of prohibition of alcohol in the United States by many times and one may then appreciate the immensity of this particular obstacle to good government in China.

Feng Yu-hsiang at Nanking. All travellers returning from Shanghai and Nanking agree that Feng Yu-hsiang is the dominating personality in the capital. The Chinese generally are of the opinion that as contempt for the present controlling group becomes sufficiently widespread that action against them will not be condemned, Feng will take decisive measures. Feng is inscrutable even to the Chinese. No one dares predict the form that his assumption of leadership may take. They feel he will avoid so far as possible any measures that might bring hardship to the people, but they suspect that dissolute politicians which incur his disfavor need expect no quarter. His present attitude of seemingly complete subservience to the will of the party is contrary to his nature - it is considered ominous. Meanwhile he is conducting most effective propaganda to raise himself and his army in the estimate of the people. His speeches and pronouncements are couched in language which generally wins him support with the people. Wherever his soldiers are they gain the good will of the people by their perfect discipline, their physical appearance and their consideration for the population. I am told that he has placed small detachments along the railway from Honan to Pukow and that their presence engenders respect for their commanders. This and his own presence in Nanking are said to be part of this propaganda campaign.

Whereas it is believed that if Feng decides to make himself dictator he is wise enough to retain the governing mechanism set up at Nanking, there is little doubt that he will dominate the mechanism. The Chinese people as a whole are not offended by reactionary theories of government -- they crave a firm man at the head, whatever may be his title, who is able to maintain order. For this they are willing to pay the price in taxes, and for the rest wish only to be left alone to work. If there is any hope in non-political Chinese hearts today it seems to rest on Feng Yu-hsiang.

4. Manchurian Affairs.

In a conversation with the Japanese Military Attache he assurred

me that the negotiations with the Nanking government would not involve Manchurian questions. I had thought that the Japanese would try to regularize their position in Manchuria both at Nanking and at Mukden, and so expressed my opinion, but General Tatekawa stated with evident conviction that Japan would not permit that question to be discussed except at Mukden. I gathered that Japan takes the position that if unity be lacking in Chinese internal affairs, Japan will not permit the friction of unity to embarrass her international relations. It is easy to see that the Manchurian officials can be coerced into agreements that Nanking would never even discuss. Japan can by force maintain her announced position in Manchuria but she can not obtain the acquiescence of nationalist China to a status which logically can exist only in areas where the question of sovereignty is not raised.

The whole subject of privileges which Japan seeks in Manchuria, so far as can be known, is admirably covered in the recent reports of our Consul at Mukden. Briefly, the outstanding demands of Japan are : the right of leasing land and the privilege of constructing the Changchun-Talai and the Tunhua - Huining railways with Japanese money. The immediate and most pressing demand is an agreement permitting the construction of the latter strategically and commercially important link between the Chinese and Korean systems. So far as is known the Mukden authorities have withstood Japanese presure. The Chinese have struggled to shift the question to the Nanking foreign office and the latter office has announced its assumption of authority to deal with the question. Japan refuses to listen to this. Agitation against the Japanese has been stirred up in Manchurian cities, probably at the instigation of Fengtien officials, which agitation has been used as an argument by Chang Hsueh-liang as reason for his refusal to accept Japanese demands. He pleads that his government is not strong enough to act against the people's wishes. At the moment Chang Hsueh-liang is probably more embarrassed by the strength of the old

group of militarists in Manchuria than he is by the people.

A student demonstration in Harbin on November 9th, against the possible railway agreements with Japan, ended in disorder in which the police had to intervene. The incident was followed by the replacement of the Governor of the Railway Zone, Chang Huan-hsiang, by Chang Ching-hui, formerly Minister of War in the last Peking Cabinet. The replaced official has been somewhat under suspicion ever since he was found to have been uncertain in his allegiance to Chang Tso-lin at the time of the Kuo Sung-ling revolt. Since he ostensibly was dismissed for firing on students and replaced by one of the older militarists little enlightenment as to trends, whether liberal or reactionary, is to be gleaned from the incident.

5. Anti-Japanese Boycott.

The boycott which first became effective in the southern port towns and then in the Yangtze Valley is gradually spreading in the North. So long as the Nanking government was in doubt about possible further agressive measures of Japan following the Tsinan affair, official influence tended to discourage the boycott movement. Consequently it developed slowly and only sporadically. In some instances officialdom actually suppressed the movement. As the doubts and fears of Japan subsided when it appeared that Japan's active forward policy had reached its climax, the boycott showed renewed vigor. With the impasse in diplomatic negotiations, there is a suspicion that a central organization at Nanking is directing the boycott as an aid to diplomacy. A widespread boycott resulting from general antipathy for Japan, evidenced by refusal to buy Japanese goods even if self denial were implied, would cripple Japanese trade and leave Japanese statesmen powerless to combat it. If the movement is shown to be politically inspired and is accompanied by senseless activities of students, Japan may be expected to retaliate against the government and create conditions which China is in no military position to forestall.

6. The Customs Service.

No publicity has been given to the negotiations which Mr.

Edwardes, Officiating Inspector-General of Customs, has conducted with Nationalist authorities during the past month. He accepted his appointment in his present capacity and apparently accepted the terms dictated by the Minister of Finance as well. The following item published by the Kuo Wen News Agency is probably accurate :

> "Shanghai, November 6. - Mr. T.V. Soong, minister of Finance, yesterday issued an order to Mr. A.H.F. Edwardes, officiating inspector-general of customs, instructing him to place the affairs of the Peking customs inspectorate under the control of the Nanking customs administration. The order also says that in the execution of his duties Mr. Edwardes should abide by the orders of the director of the customs administration."

Thus the control of the customs administration definitely passes to the Chinese. Formerly the ultimate decision in customs administration actually rested with the foreign inspector-general up to the moment when customs surpluses were remitted to Chinese Ministers of Finance for their employment.

A Secretary of the Inspectorate General who has just returned from Shanghai states that offices are being sought in Shanghai and that the administration will ordered move to at an early date.

John Magruder,
Major, General Staff,
Military Attache.

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MIL. INTEL. DIV.
1929
2055-622
WAR DEPARTMENT

COMMENT ON CURRENT EVENTS

November 15-30, 1928

1. General.
2. Nanking Politics.
3. Foreign Relations.
4. Peking-Tientsin Area.
5. Situation in Manchuria.
6. Miscellaneous Military Notes.
7. America Enters Field of Chinese Aviation.

RECEIVED G-2 W. D. JAN 9 1929

1. General.

One witnesses at Nanking a definite accomplishment on the part of the government in clearing up relations with foreign powers. Two foreign governments in normal negotiations have recognized the principle that extra-territoriality is of temporary rather than of continuing character. Both Belgium and Italy have signed treaties providing for the ultimate relinquishment of extra-territoriality, subject to certain conditions, in which the most favored nation clause has disappeared. At the time of greatest success in the adjustment of external affairs, the momentum for which was probably attained in a previous period when the revolution was marked by military successes, the internal difficulties of the government are mounting dangerously. It may be said of Nanking today that while foreign offices abroad are hopeful about a regime which promises to speak with authority in China, the Chinese people entertain a growing pessimism regarding a clique within a party which is manifesting many traits common to former disappointing regimes. As the failure of the government to effect internal reforms persists and the disillusionment of the people undeniably increases, the political enemies of the inner group of the Kuomintang become more articulate. It is extremely doubtful if the prestige which the government can boast in its external relations will compensate for its inability to cope with urgent internal reforms. No expression of opinion has yet been heard regarding the

recent treaties but it will not be surprising if the radical wing of the Kuomintang finds material in them for attacking the government.

Since Foreign Minister Wang declared in a press interview on November 15th that all Japanese troops must be withdrawn from Shantung as a necessary preliminary to any settlement of the Tsinan affair, the impasse in Sino-Japanese negotiations has not relaxed. Conversations relative to tariff matters and Japanese debts have taken place in Shanghai between Finance Minister Soong and Consul General Yada. The "Anti-Japanese Association" in Tientsin and Peking has caused inconvenience and loss to Chinese merchants. Many merchants themselves closed their shops in protest against the illegal acts of irresponsible school boys who feel impelled to save the nation. Thus far, the merchants themselves are attempting to protect themselves against their own people, and their bitterness is not Japan-ward.

In Manchuria where there never has been a serious move toward separation from China, a high degree of regional autonomy is the present trend. The trend becomes more pronounced as the factional differences within the Kuomintang increases. Mukden now views Nanking critically whereas a few months ago Young Manchurians were moved to a moderate pitch of sentiment by the idea of unity. It makes considerable difference to Manchurian officials whether Chiang Kai-shek or Feng Yu-hsiang dominates the central government.

Throughout China the winter will bring suffering and starvation to many people. Over-population, lack of means of distribution and general apathy toward philanthropic activities permit suffering to exist whenever and wherever natural causes create a certain diminution in crops. Political chaos over a number of years, the huge waste of civil wars and the attendant exorbitant taxation have created a general condition where there is little margin between normal crops and hunger. With droughts

and locusts in certain areas the crops this year have failed in varying degrees. In such areas no reserve buying power exists and such surplus food as might be available in neighboring areas does not move in to fill the void.

From available reports, the areas most affected are Charhar and Suiyuan, parts of Shansi, and a corridor extending from western Shantung through Honan, Shensi and Kansu. In all of these areas, according to reports of the International Famine Relief Commission, droughts and locusts have affected the crops to varying degrees. Likewise in all of them severe taxation, banditry and civil strife have operated to reduce any possible margin or reserve and have undoubtedly magnified the suffering.

No military operations are known to have taken place. It seems clear that Fengtien forces will continue in occupation of the area east of the Lwan River. The complete details of the reorganization of the Manchurian forces are not yet known, but information indicates that a substantial reduction is being attempted.

2. Nanking Politics.

Numerous Chinese and foreigners have recently returned from Shanghai and Nanking. I have directly or indirectly sought an answer to a query which might be expressed as follows: "What can you tell me about the government which will permit me to report some specific accomplishments, some optimistic features in order to avoid the monotonous repetition of adverse criticism one hears on all sides?" It would be difficult to express a succinct statement of the replies. Aside from the formulation of certain agreements regarding government services in which foreigners are especially interested and in the signing of new treaties, no observer could suggest a constructive and at the same time effective act of government. Of politics at Nanking one could write indefinitely, but of practical governmental accomplishment little can be said. Most observers agree that the personnel of the party and

government work long hours and seem to be trying to get something done. They likewise agree that most of the energy is expended in keeping themselves and their relatives in office. Chinese observers are unrestrained in their denunciation of Nanking; they say things about their own people that to repeat would subject one to the charge of being immoderate. If one were to recollect all the charges of inefficiency and evils of the old Peking governments, they can be and are applied to Nanking, except perhaps that Peking used to do nothing. Nanking does many things but the result is generally futile or destructive. The Chinese charge that nepotism and its inevitable concomitant, squeeze, are being practised in a new manner but to an extent comparable to the best days of Peking. The luxurious life during week-ends in Shanghai after the squalor of Nanking makes small salaries wholly insufficient for the demands. The Spartan severity introduced by the Russians, once very fashionable, has disappeared from the inner circles of the governing class. Feng Yu-hsiang, the modern John the Baptist, does not rail at imaginery evils.

The general impression is that Chiang Kai-shek and his close associates cannot long maintain their position. Any predictions as to how or when the change will occur are hazardous. From the latest indications, it is not the radical wing of the Kuomintang, nor the dissatisfied Kuomintang headquarters throughout the country, which is most feared by the Chekiang faction, but Feng Yu-hsiang. Nobody knows what Feng may do but there is the feeling stronger than ever that he will not long remain obsequious to men for whom he probably feels only contempt. For the past few weeks his attacks on the luxury and wastefulness of underlings has been thinly disguised as propaganda against the extravagances of the highest Nanking leaders in Shanghai. These men fear what Feng may do.

Feng's popularity increases, it would seem, among all classes. What relations he has with the left Kuomintang elements is not known, but both Feng and the Leftists are popular with Young Chinese who are aware that their revolution was arrested. Those who know Feng feel that he may use any group but that the reverse is not true. There is even doubt that the present regime may last until the Kuomintang Congress on March 15, 1929, at which time there must be a test of strength within the party unless the present group forcibly attempts to retain the power. The military strength of Chiang Kai-shek's heterogeneous divisions warrants little dependence on them. Chiang has been on a tour of inspection of his First Group of Armies during the past three weeks. In this situation such an inspection is in the nature of feeling out the "electorate".

3. Foreign Relations.

Texts of the Sino-Belgian and the Sino-Italian treaties signed on November 22nd and November 27th, respectively, are being forwarded in Letter No. 7382. The outstanding feature of the Belgian treaty, the first concluded with those countries whose old treaties had expired, is that extra-territoriality is to be abolished on January 1, 1920, provided that by that date detailed arrangements are completed with the Belgian Government for the assumption by China of jurisdiction over Belgians. Failing such arrangements extra-territorial rights will be continued until the majority of the powers now enjoying such rights shall have relinquished them.

The Italian treaty differs from the Belgian treaty essentially in that in the case of failure of the Chinese to make arrangements with Italy for the assumption of jurisdiction over Italian subjects by January 1, 1930, Italy retains extra-territorial rights at least as long as all those powers which "directly participated in the discussion of Pacific and Far Eastern Questions" at the Washington Conference.

Both Belgium and Italy continue to enjoy most favored nation treatment in customs tariff and related matters.

In connection with the deadlock in the Sino-Japanese negotiations, it appears that Wang and Yada had arrived at some tentative agreement for the settlement of the Tsinan affair when, on November 15th, following his return to Nanking, the Minister of Foreign Affairs announced to the press that preliminary to any further negotiations on the Tsinan affair all Japanese troops should be withdrawn from Shantung. Mr. Yada went to Nanking on the 19th, where it appears Wang refused to see him unless he was prepared to make some statement regarding withdrawal of troops. They did however have a conversation on the 22nd, following which Mr. Yada returned to Shanghai. Frequent reaffirmations of the Chinese position have since been made, and there the matter stands. The reason for the abrupt change of attitude on the part of the Chinese Foreign Office has caused much speculation, but the truth is not known. Doubtless the opposition began to make politics of what might have been termed compromise with the Japanese, and the government was forced to seek publicity based on a rigid attitude toward Japan. A desire to delay the settlement with a view to keeping Feng Yu-hsiang out of Shantung as long as possible, and thus completing his corridor to the coast is a suggestion which offers interesting possibilities for conjecture.

4. Peking-Tientsin Area.

No large developments have taken place in the old capital area. Pai Chung-hsi, with his powers somewhat curtailed as described in the last Comments, remains a foreign element in the Tientsin-Lwanchow area. He seems to have a working understanding with Chang Hsueh-liang whose only discernible object is to maintain a buffer against Feng Yu-hsiang. The latter, however, has long since withdrawn his own forces into Honan and Shantung.

Pai's reorganization will slightly increase his military strength. One of his own subordinates expressed great concern to me over Pai's tendency to make enemies of those about him. He is considered a very daring aspirant for greater power.

After several false starts, in which Pai Chung-hsi's subordinates secured for themselves two trains which the Mukden authorities had sent to open the Mukden-Peking service, regular weekly service was begun on November 14th, which since has been improved to twice a week. This with a weekly train to Hankow and Pukow makes Peking again seem accessible. The freight service however on all northern lines is greatly handicapped by lack of equipment, and even more by the most exorbitant military taxes imposed on all shipments. The military tax, in addition to the regular tariff, is said to be $12.00 per ton between Tientsin and Peking.

The general atmosphere remains very gloomy. Robberies are frequent in Peking as was never the case formerly. These are said to be committed by Hunan soldiers. All over the countryside the people are harassed by soldiers either of regular organizations or by small bodies which resist disbandment. Taxes are higher and authority is less effective than ever in this area. Incipient strikes are being organized by the young Kuomintang agitators in Tientsin and Peking in spite of official repression.

The one bright spot is a sense of personal freedom which has undoubtedly improved since the departure of the Fengtien forces. Arbitrary arrests for no cause or for political causes are notably diminished.

An interesting situation has arisen among a limited group of students in the old Peking National University. Most of the colleges of the University have not yet opened because of lack of funds and the students are idle. The office of the newly appointed head of the University was recently wrecked by a body of students and an attempt to enter the University was prevented by mob action of students. Patently absurd reasons were given for the action, such as resentment to the change of name from Peking National University to Peiping University, and the personal qualities of the new

President, Li Shih-cheng. The actual cause of the affair, as related to me, is typical of Chinese situations, most of which involve intrigue of low order.

Tsai Yuan-pai, Chairman of the Supervisory Yuan, in Nanking is the leader of a strong educational clique known as the Kiang-Che (Kiangsu-Chekiang) clique which has long controlled the National University in Peking. The Paotingfu educational clique, also in the field, controlled the primary and middle schools in the North. Li Shih-cheng, of the latter clique, had himself appointed President of the Peiping Educational Area by Nanking but has thus far been unable to assume his duties due to the opposition of the rival clique. The student violences directed against the new President are a part of this sordid fight.

5. Situation in Manchuria.

Recent visitors to Manchuria, Chinese and foreign, agree in the main to the general trend of events outside the Wall. It is the experience of all observers in the Three Eastern Provinces to be so confused by the stories of intrigue, large and petty, and by the devious schemes of Russians to earn a living that it is with difficulty one can keep his mind clear for larger aspects of the situation.

Manchuria, considered as a separate entity, is no less disrupted by factional differences than is China proper. Superimposed upon the confusion of factional rivalry there is the never ending struggle between Japan and Russia, both of which countries employ, as much as they can, Chinese factions to further their own interests. The relations between Manchuria and China proper are not clear cut, but are complicated by secret affiliations which each faction enjoys with some faction south of the Wall. At the present time there is a well defined rift between the Young Manchurians led by Chang Hsueh-liang, supported more or less by Yang Yu-ting, and the old militarists under the leadership of Chang Tso-hsiang, Governor of Kirin. The latter group favor almost complete independence of action from Nanking; the former incline toward very close

cooperation with China proper but nevertheless wish to retain a high degree of regional autonomy. The Young Manchurians are closest to Chiang Kai-shek, but cautiously maintain very friendly relations through Pai Chung-hsi with the Kwangsi Party as an off-set to Feng Yu-hsiang. The old militarists find more congeniality among the Kwangsi militarists.

Were it not for the influence of Chang Tso-hsiang, Chang Hsueh-liang would probably go further in adopting nationalism as practised in the South, at least more of the forms. However, in a recent interview with a foreign journalist, Chang Hsueh-liang spoke so emphatically of the terms Manchuria would demand prior to complete affiliation with Nanking that the journalist hesitated to quote him fully for fear of his later public denial. A mission has recently been appointed in Mukden to study conditions in Nationalist territory, the object of which publicly is announced to be the study of the application of the San Min Principles. The mission consists of about ten prominent non-Kuomintang men of all professions. They are instructed to travel for about three months and then render a report, after which Fengtien will decide upon its future course of action vis-a-vis Nanking. This plan is believed to be largely for creating delay, due to suspicion that the Nanking regime is not stable, and that unity is a relative term.

Chang Tso-hsiang of Kirin, while not pro-Japanese, is generally believed to be working closely with them in their railway development schemes. He is said to favor the agreement permitting the building of the Tunhua-Huining railway line. The immediate benefits to himself and his province loom larger to him than the ultimate gains to Japan in a commercial and strategic way. Taking advantage of the recent scandal involving large squeeze in Harbin, Chang Tso-hsiang succeeded in appointing his adherent, Chang Yin-huai, as civil governor of the Chinese Eastern Railway Zone, replacing Chang Huan-hsiang.

In connection with the Barga uprising of a few months ago it has been learned that for some time prior to the outbreak it was well known to the Chinese and Mongol officials that Communist inspired propaganda was spread over the area. After the trouble started and Japan began to manifest interest in the matter, the Chinese officials all denied that there was any Russian instigation back of the uprising, fearing the creation of any pretext the Japanese might seize to take formal action in North Manchuria.

6. Miscellaneous Military Notes.

The following notes are not sufficiently detailed to be available for the Digest but are now reported as general information.

General Ken Wang, a well known graduate of West Point, is now serving under General Pai Chung-hsi. He informs me that in the reorganization of the armies, still incomplete, Chiang Kai-shek's forces are actually slightly diminished in numbers due to the elimination of old men and unreliable units. His reorganized divisions have a strength of about 14,000. The Kwangsi forces, however, by adopting a divisional strength of about 18,000 men, are actually planning increased strength and will have to recruit.

The reorganization now in progress in Manchuria will effect a reduction roughly of 100,000 men (from a maximum of about 400,000 at the extreme, including all organizations, to roughly 285,000). The following details of organization as planned have been reported:

15 Mixed Brigades in Fengtien, 8 in Kirin, 5 in Heilungchiang (mostly cavalry), each of about 10,000 strength. All artillery will be assigned to mixed brigades except two regiments of heavy artillery which will be in general reserve. There will be about 8,000 railway troops, as distinct from railway guards, along the C.E.R., and 4,000 marines along the Sungari River with a base depot at Hulatao.

On November 27th Manchurian headquarters announced that about 12,000 officers were to be eliminated, of which 47 are general officers,

1740 field officers and the remainder company officers. Bonuses are to be given these officers, for which Chang Hsueh-liang has set aside $19,000,000. In certain instances officers are permitted to enter the military schools as cadets and start at the beginning of the military career. Naturally this elimination will be attended by much dissatisfaction and the newly organized loyal brigades will have to be active in preventing the organization of a new batch of bandits.

The Mukden arsenals are reliably reported to be operating on a 40% output basis. About the first of November 20,000 rifles (Mannlicher?) and 6,000,000 rounds of ammunition were imported from Czecho-Slovakia. It is said to have been all forwarded to Heilungchiang.

7. <u>America Enters Field of Chinese Aviation</u>.

The Chinese people have been not a little impressed with the performance of the Ryan-Mahoney airplane piloted by Chinese aviators in an around-China flight. Starting from Canton on November 12th, four aviators flew to Hankow thence to Nanking, to Peking, to Mukden, to Tientsin and at this time have reached Shanghai. The flight was in imitation of the good-will idea known at home. In addition, the sense of unity in China and the spread of the idea of unity abroad is furthered. No publicity has been given to the fact that the plane is American and that all four of the flyers were trained in American civil schools. Actually the equipment and personnel belong to the Kwangsi faction, specifically to Li Chai-sum of Canton. Nanking has no more authority over them than is conceded by the Kwangtung Aviation Bureau out of deference to the sentiment of unity.

Incidentally one feels a certain pride in the fact that the first notable Chinese flight was in an American commercial plane, and performed by American trained pilots. The Ryan-Mahoney plane and its duplicate in Canton are the first legally imported American commercial planes. The Chinese are wholly pleased with them.

John Magruder
Major, General Staff
Military Attache.

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WAR DEPARTMENT

COMMENT ON CURRENT EVENTS

December 1-15, 1928

RECEIVED G-2 W. D. JAN 21 1929

1. General.
2. General Politico-Military Situation.
3. The Opium Scandal.
4. Friction at Nanking.
5. Feng Remains in Nanking.
6. International Affairs.
7. Manchurian Situation.
8. Miscellaneous Military Notes.

1. General.

During the early part of the period all of the political centers of China were perturbed by alarming rumors of impending civil strife. It is not yet known whether these rumors were based on ominous facts or were spread by interested factions for political purposes. In the Peking area, the people were genuinely alarmed by rumors created by the withdrawal to Shansi of some of Yen Hsi-shan's divisions and by Yen's mysterious conduct prior to his departure for Nanking. Politicians in Nanking and Shanghai were in a flurry over a rumored alliance between Feng Yu-hsiang and Chiang Kai-shek formed for the purpose of early operations against the combined Kwangsi faction, Yen Hsi-shan and Fengtien. It may have been sheer propaganda created by the opponents of the Nanking regime.

Yen Hsi-shan's departure for Nanking had the most quieting effect in bursting the bubble of rumors. He left Peking on December 4th, went to Shihchiachuang and then back to Tangku where he took ship for Nanking. His movements were attended by mystery and created much speculation. Arriving at Nanking on December 12th, he was installed as member of the State Council on the 14th. He has since announced no future plans.

At Nanking opposition to the new Sino-Belgian and Sino-Italian treaties developed on the clause relating to the right of acquisition of property in China by foreigners. Nevertheless, it is reported that the Sino-Danish treaty, substantially the same as the Italian, was signed on December 12th. On the 6th, a circular note was sent to the powers accompanying the new tariff schedule which China announces will be put into

effect on February 1, 1929. The Yada-Soong negotiations regarding unsecured Japanese debts, probably involving tariff matters as well, have continued. Conflicting reports as to the results of the negotiations have appeared but the facts are now known. Hu Han-min officially denied in the press the report that the government had recognized the Nishihara loans. He also denied that Japan had any special conditions attached to the tariff agreement, adding that all powers would be treated alike. The rest of the Sino-Japanese negotiations remain deadlocked as before due to the Chinese demand for complete withdrawal of Japanese troops from Shantung prior to further negotiations.

On December 13th, an anti-Japanese student demonstration at Nanking in the Central University grounds was followed by a visit to the Ministry of Finance where T. V. Soong stated that the Nishihara loans had not been and would not be recognized by the government. The Minister of Foreign Affairs was in Shanghai but the crowd entered his house and destroyed some of his furniture and a motor car. Chiang Kai-shek received the mob at the Kuomintang meeting hall and upbraided them for their conduct. Reports vary as to how the students received Chiang's lecture, but later strict orders prohibiting further demonstrations without permission of the government indicate that the students were unrepentant. In view of past student demonstrations, there is little doubt that agitators impelled by political rather than patriotic motives were responsible for creating this embarrassment to the government.

Investigations in the famine areas indicate considerable suffering at this time which will probably be greatly augmented by spring. It seems evident, however, that without the aggravating causes of banditry, soldiery and inordinately high taxation, the population could probably subsist without outside help in spite of natural calamities in localized areas. Were it not for the hopeless ineffectiveness of the government in controlling the deplorable political and economic conditions in the affected areas, it seems well founded that the famine would not have been the cause of concern.

Military reorganization, having as its objective economy and no diminution of combat strength, continues in a desultory way in all of the rival military factions. The motive of unified or national preparedness is not discernible except as an abstract idea. In Anhwei some units of Chiang Kai-shek and Feng Yu-hsiang are at present operating to disperse two of the ex-Honan militarists who were driven by Feng into the neighboring province. The results of the fight in Kweichow to expel the Kwangsi-faction governor, Chow Hsi-cheng, are not clear. The above mentioned operations, in themselves of little consequence, and the more important Szechwan struggle, are all expressions of the enmity between Nanking and Wuhan, and may prove to be the first contacts which may draw the main bodies into another civil war.

2. <u>General Politico-Military Situation</u>.

The National Government has no army of its own. The Kuomintang Party has no army. The army of no individual or faction is sufficiently strong to menace or destroy the combined armies of the other factions. Consequently all leaders feel the need of attachment to some national organization in order to avoid isolation. The Kuomintang Party, having no organic army, has commercialized this desire for attachment to a central institution - a center pole, so to speak, of the politico-military structure. Today this idea is probably the supreme concept of internal unity. Beginning with the small hostile units in Kwangtung andemploying very shrewd tactics, the Kuomintang gradually assumed the center pole role for most of the factions in China when all factions were going to pieces from centrifugal forces. Therefore all factions want a Nanking. The difficulty is that all important leaders aspire to be Nanking. The Kuomintang Party, and its creation, the National Government, without an army is like a center pole not planted in the ground; it can remain upright only by directing the tug on the ropes at the end of which are the militarists each attempting to pull Nanking in his

direction. The Kuomintang's greatest strength is the fact that all the militarists feel a mutual need for the center pole and that the people of China are disposed not only to insist on the pole, hoping for the time when the pole can maintain itself upright.

If the Kuomintang Party loses its slight and permits too many militarists to pull in one direction, the pole comes down - the government as now established disappears in civil war. Today the very astute civilians of the Kuomintang are busily engaged in preventing militarists from forming combinations to run away with the center pole. The militarists, as individuals and groups, are forever scheming to outdo the politicians (there are as yet no statesmen). In this struggle the brains and energy and wealth of China are being dissipated. If this waste of energy and talent can be appreciated the almost complete lack of government and reconstructive accomplishment of Nanking appears natural.

One cannot grasp the involved political scheming at Nanking and the intrigues among the militarists to add to their own combat and political strength. Most Chinese believe that jealousies and enmities are being built up at this period at a greater rate than is the sense of internal unity. Unity today is a manifestation reserved largely for foreigners, principally the Japanese, but politics monopolize internal affairs. If Nanking cannot soon show some constructive work which will alleviate the great suffering of the people such public opinion as exists favorable to the government will disappear; then the principal deterrent to recourse to arms will have been removed.

The following telegram from Mr. Sokolsky, dated December 3rd, is indicative of the general lack of confidence in the present conditions at Nanking. I had a very similar story from several different sources.

> "My report from Nanking on December 2nd with regard to the meeting between Feng Yu-hsiang and Chiang Kai-shek on Saturday is as follows:
>
> 'Feng Yu-hsiang pointed out to Chiang Kai-shek that every day that is being missed by them adds to the power of the Kwangsi and Fengtien forces, both of whom are constantly growing stronger financially, in prestige, and in military organization, while Chiang and Feng are growing weaker. Feng therefore proposed that Chiang and Feng form an alliance to fight Kwangsi and protect Nanking against an invasion by the 3rd and 4th Armies of the

Fengtien forces which, according to Feng, will be led by Sun Chuan-fang. Feng's plan is to give up the northwestern territory entirely. He expects only to hold Honan, Kwangsi, Anhui and Chekiang with a base at Nanking. Chiang Kai-shek is to lead the southern expeditionary forces into Hupeh, Hunan, Kwangsi and Kuangtung. The present right center wing_____ in control of the Nanking Government are to be driven out and the Nanking Government is to be turned over to the extremists of the left wing, including Wang Ching-wei, Eugene Chen, Teng Yen-da and Hsu ____ chien, the latter two of whom are now in Shanghai. The fourth has already been instructed to move from Taian to the Anhui-Hupeh border. The local defense Commissioner, Hsiung Hsu-hui, who is involved in the opium scandal, will be given an opportunity to fight at the front. The first division of the first army under Liu Tsze will be sent into Anhui. On Saturday orders were issued to Feng's forces in Kansu and Shensi to begin to march towards Honan as soon as possible. All Kuominchun divisions will be removed from these two provinces. The above information is entirely from source which has not misguided me during the past ten months. According to him, Chiang Kai-shek accepted Feng's proposal but as officials of Chiang's people tried to influence me to carry on an anti-Feng Yu-hsiang propaganda for them I must wait until they return to Shanghai before I can confirm this report from the Chiang Kai-shek angle. Whether Chiang joins or not, Feng is now facing Kwangsi with a drawn sword. I would appreciate it if you could let me know in the usual way whether you have evidence of the evacuation of the two provinces mentioned."

After conferring with the British and Japanese military attaches I wired the following reply:

"December 10, 1 p.m. For Sokolsky from Magruder: Best official sources discredit story generally as immediate possibility. N o movement reported from western provinces or Taian. After New Year I shall see you in Shanghai."

The British Military Attache had not received the story from Shanghai but his information from Canton was to the effect that the Kwangsi faction were preparing to attack Feng Yu-hsiang in Honan from Hupeh after Yang Sen had established his position in Szechuan, and the Kweichow affair had been settled, so that no fear need be felt from the west. The Japanese Military Attache discredited the story as an early development principally on the score that the differences between Feng Yu-hsiang and Chiang Kai-shek could not easily be composed. They further knew, what at that time was doubtful, that Yen Hsi-shan was really en route to Nanking. They stated that the troop movements mentioned were not in progress and that "the Japanese would not permit Fengtien forces to operate in China".

It is not unreasonable that Feng should attempt to ally himself temporarily with Chiang Kai-shek because he unquestionably is detested or feared by the rest of the militarists. As his popularity with the people enlarges the tendency for the other militarists to combine against him increases. It is true that the Kwangsi faction is actively working to increase its military strength and is in agreement of some sort with Fengtien (where Feng is concerned) and probably with Yen H si-shan. Mi Chung-hsi in this area now has recruiting parties in Hunan to increase the strength of his four divisions. Yen is withdrawing some of his divisions from the Peking-Tientsin area in a way that is suggestive of a concentration of his forces.

The factors unfavora ble to early civil war are: Feng's desire for time to establish himself in Shantung and improve his finances; the Fengtien and Kwangsi factions are in the midst of reorganizations; so long as any hope remains in the ability of Nanking to perform any reconstruction the first aggressor will sacrifice the sympathy of the people; three of the four principal nationalist militarists are personally in conference at Nanking; all areas are suffering from exhaustion of former wars and can scarcely supply any war chests.

3. <u>The Opium Scandal</u>.

Following a fight over a large shipment of opium on November 21st, in Shanghai, the ramifications of which could never be understood, there were several days of great excitement among the higher officials of different factions at Nanking, some of whom were interested in the opium monopoly at Shanghai and others interested in the particular cargo apparently destined to break into the monopoly. Various of the leaders in the Nationalist regime have been named as owners of the outside cargo, including even Feng Yu-hsiang. Nothing novel is disclosed in the official connivance in the opium traffic, involving available revenues greater even than the customs. The interesting feature is the effectiveness with

which the government stopped the unfavorable publicity in connection with a domestic quarrel which formerly might have led to war. Nanking is not impotent when it can so quickly dispose of such a vast amount of soiled linen at home. The linen, however, has only been hidden, as doubtless will later be evident.

4. Friction at Nanking.

It is difficult to disassociate internal and international friction in China. The case in point is the anti-Japanese activities at Nanking. Nobody can doubt the general feeling among all Chinese ranging from contempt to hatred for the Japanese. This very fact makes it possible for individuals and groups of Chinese to accomplish some of their own devious purposes in the name of anti-Japanese expression. There are few instances of boycott activities where if one searches he will not disclose motives which cannot be considered patriotic. I have never heard of student demonstrations anywhere in China which were not engineered by radicals, communists, or oppositionist groups in which the students were merely tools in the hands of some unscrupulous intriguers. Certainly in the student demonstration on December 13th at Nanking in which the house of the Minister of Foreign Affairs was torn up, there was instigation by agitators whose motives were not wholly anti-Japanese. These agitators were radicals, anti-government or anti-Chiang Kai-shek factionists bent on some internal mischief. The whole affairs is reminiscent of Peking a few years ago when the Kuomintang agitators were employing students for their own political purposes. It should not be surprising if the oppositionists persist in stirring up students with anti-Japanese sentiments until the government may be forced to fire on them. These tactics have become conventionalized by the radical Kuomintang itself. The Chinese communists are not idle.

5. Feng Remains in Nanking.

It is difficult to see how the friction between Feng Yu-hsiang and C hiang Kai-shek cannot but widen the breach between them. These are two temperaments which inevitably clash. The longer they maintain the appearance ofharmony the more violent it would seem will be the break if it comes. Feng is not subordinate by nature, while not a typical Chinese his temperament is northern, he is a dogmatist and a Spartan. Chiang Kai-shek aspires to highest honors, he is Southern Chinese, he enjoys display and luxury. These two natures if they do not clash over their differences will fight because of their common craving for supremacy.

Now as formerly, Chiang Kai-shek's subordinates are frankly fearful and mistrustful of Feng. It is inconceivable that Chiang trusts him. Feng sits in Nanking and by word and deed seeks and obtains public approval. He is subservient in his manner to all those above him - uncomfortably subservient. But his acts, studied or natural, duly published over China are in contrast with all the rest. He serves coolie food at official dinners ostentasiously. He enforces long hours upon his own people and indirectly upon all the rest. On Friday nights when the tired officials crowd the special trains to Shanghai he does not go, nor do his underlings without most exceptional reason and by written permission. Feng is informed of all who leave the capital for the week-end, but he and his men work. He has learned to be the best public speaker; he prepares by extensive reading for committee meetings and, superficially at least, is generally the best informed about the business in hand. He has become a tireless student of Chinese and foreign matters. Not the least of his accomplishments is his laboriously acquired calligraphy. His scrolls now sell for $50.00 each for the benefit of charity.

Fast becoming China's all-round great man, the Chinese officials not in his coterie hate and fear him.

6. International Affairs.

All of China's international problems, and most internal problems, are complicated by Japan. If one assumes that it is possible for China to overcome the obstacles to unity and orderly government if left alone, the question arises, can she overcome the additional handicap imposed by J apan's intrusion into Chinese affairs? Manchuria, Shantung, customs tariffs and debts all are knotty problems, but they might be solved if they were permitted to stand unrelated to other Chinese internal affairs. The J apanese avail themselves of the weaknesses inherent in the Chinese nature to play high politics in nearly every Chinese internal affair. They influence to some extent the outcome of most situations.

At the moment the rather advantageous (from a Chinese viewpoint) first wedges in extra-territoriality contained in the Sino-Belgian and Sino-Italian treaties are blocked by the otherwise harmless clause regarding privilege of owing land in China for fear that this clause may afford the Japanese another weapon of exploitation. Much objection to this land clause in the treaties has been voiced from all sides, and the ratification of the treaties is questionable.

Despite the continuing conversations between Mr. Yada and Mr. Soong in Shanghai in which it was generally assumed Japan was seeking special treatment in connection with the customs tariff rates and her unsecured debts, both Soong and Hu-Han-min have denied that Japan has been accorded any favored treatment in customs schedules and that the Nishihara loans have been secured. The Japanese copy of the notification to the powers of the new tariff schedule, approved by the State Council on December 6th, and to be made effective February 1, 1929, is reported to have been returned by Mr. Yada pending instructions from his government.

Mr. Arnold, the Commercial Attache, after a preliminary study of the new schedule, has found that some rates, particularly affecting certain American products, are higher than had been expected/and in the case of these products a disadvantage is imposed upon American manufacturers.

At present the representatives of Great Britain, France, Holland, Sweden and Portugal are in Nanking or Shanghai engaged in treaty negotiations. An early signature of the British and French tariff treaties is expected.

7. Manchurian Situation.

The division between the pro-Nationalists, headed by Chang Hsueh-liang, and the regional autonomists and reactionaries, led by Chang Tso-hsiang, becomes more marked. The impression is that the latter group is gaining power in Manchuria itself. Chang Hsueh-liang's influence seems to be restricted to Fengtien and western Heilungchiang while his opponents control the rest of Manchuria and Jehol. Chang Hsueh-liang has lost his grip on Chinese Eastern Railway affairs.

Recently several under-officials at Mukden were arrested. It was at first announced that those officials were involved in Japanese intrigue, but later it was stated that they were communists working under Kuomintang auspicies. Actually, I am informed by an agent of Chang Hsueh-liang, that these were pro-Japanese officials but to avoid the pressure of Japanese reaction to their arrest the device was resorted to of planting communist literature in the possession of the victims thus furnishing the pretext for prosecution.

Chang Hsueh-liang's Russian agent is now making a trip to China proper to observe communist activities and to organize an intelligence service covering Feng Yu-hsiang's activities.

8. Miscellaneous Military Notes.

Mukden's plans for reorganization are being worked out by a committee but it now appears that the actual reorganization and disbandment will not be seriously undertaken until the plan is completed. Some differences have arisen over the number of brigades allotted to Heilungchiang and Kirin as compared with Fengtien. Until there is some definite information to the contrary the details mentioned in the last comments must be considered plans rather than accomplishments.

The Yangtze Valley is to be considered the critical area from a military point of view. The Kwangsi Party's attitude toward Nanking is non-cooperative to say the least. There are many points of friction any one of which might be harmless but their cumulative effect is sufficient to give rise to the recurrent alarming rumors. The opium scandal at Shanghai was an important clash over revenue producing activities. The fight in Kweichow, the armed camps of Liu Hsiang and Yang Sen in Szechwan, and the unstable situation at Canton are all evidences of friction existing between Wuhan and Nanking. In Anhwei units of Chiang Kai-shek and Feng Yu-hsiang have been in the field trying to eliminate two of the old Honan bandits or militarists, Yueh-wei-chun and Fan Chung-hsiu which Feng forced out of Honan. These outlaws formerly received munitions from the Kwangsi faction.

The Army Reorganization and Reduction Conference is now scheduled to take place at Nanking on January 1, 1929. It is not known if Li Tsung-jen will attend. The most encouraging sign of progress in China is the influence Nanking can muster to bring the big militarists into personal conference. It is perhaps too early to expect many practical results from such conferences.

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Military Attache

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OFFICE CHIEF OF STAFF
MIL. INTEL. DIV.

1929
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WAR DEPARTMENT

COMMENT ON CURRENT EVENTS

Dec. 15, 1928-Jan. 15,1929

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1. General Summary.

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The close of 1928 saw the Three Eastern Provinces entering the National Government of China, thereby gaining aid in foreign affairs and in suppression of revolutionary Kuomintang propaganda. This entrance was predicated upon the neutralization of the Jehol district which has been accomplished. The execution in Mukden during the first part of January of Yang Yu-ting and Chang Yin-huai, while to be regretted because of their ability, will no doubt make for greater stability in the Manchurian Government.

The Disbandment Conference, now in full swing in Nanking, has brought all the warring factions of China together at an extremely opportune time - a time when omens of war are prevalent and need for compromise is apparent. The fact that the National Government succeeded in getting the leaders together indicates a strength which many did not believe existed. Though too early to make predictions as to the result of the conference, it is thought that the least it will accomplish will be a truce of indeterminate duration, between the military satraps who some day are bound to be at each other's throats.

This month marks the conclusion of the negotiations regarding new treaties, all nations saving Japan whose treaties have lapsed, or whose treaties contained clauses limiting China's tariff autonomy having signed new agreements.

The Japanese boycott is assuming a grave aspect, especially in Hankow where the anti-Japanese feeling is growing and where a spark might start a conflagration. The boycott is a weapon which has been used successfully against the Japanese and British and is readily shaped for use against any nation.

As a result of underground maneuvers, Maze, formerly Commissioner of Customs in Shanghai, has replaced the Inspector General of Customs, Edwardes. A gradual breakdown of the service and its most important elements, esprit de corps and loyalty, is feared.

Strife continues in the ranks of the Kuomintang over the abolition of the Branch Political Counsils and the membership for the next National Congress. In reality but a repetition of the age-old struggle for provincial autonomy and centralization of government.

Hardly Communistic - perhaps opposition, but not Communistic -

Communism is seen growing rapidly on the soil of the overworked, overtaxed, underfed and bandit-ridden peasant, the significant element of the growth being that whereas heretofore it was largely among the student class, now it is among the peasantry.

MANCHURIA

2. Flying of the "White Sun" Flag.

On December 29th Manchuria lowered the old flag and raised the "White Sun" flag of the Nationalist Government. In a rather long telegram signed by the heads of the entire Manchurian administration, it was announced that Chang Tso-lin's dying wish had been that China be unified and that he had always been en rapport with the Three Principles of Sun Yat-sen. The raising of the flag on the 29th caused some comment since the original plan was to make the change on the first of January. Manchurian authorities, however, were in doubt as to what action would be taken by the Japanese, and so advanced the date to make sure that no obstacles would be placed in their way.

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This lost sheep has come into the Nanking fold as a result, first, of the neutralization of Jehol; second, the probability that Manchuria can hide behind Nanking in its dealings with Japan, and third, to avoid the possibility of any revolutionary developments in Manchuria. Both the Old general before his death and his son have felt that it was necessary for the safety of Manchuria that Jehol be either under their direct control, or as a semi-independent buffer district, partially so. Nanking also recognized Jehol's value as the back door to Manchuria and was loath to relinquish her control. However, for the political value of Manchuria's entry into the fold, she agreed to make Jehol a province with a Provincial Committee in charge of affairs composed of eight members, two from Nanking, two from Mukden, and four to be selected locally. The chairman of the Committee is a Mukden man.

The pressure from Japan with regard to the extension of the Kirin-Tunhua line has of late embarrassed Chang Hsueh-liang greatly. The Japanese claim that this extension was authorized by Chang Tso-lin before his death and are urging the Young General to give his consent to further construction. The Chinese press has denounced the scheme; the Nanking Government has denounced it; and demonstrations of students in the Three Eastern Provinces have shown that ratification would be dangerous. This therefore has been one of the outstanding urges for Chang to join the Kuomintang. He can say to Japan, as he has said to all the consuls in Mukden, that now since Manchuria is a part of the Nationalist Government all diplomatic questions must be taken up with C. T. Wang in Nanking. That the opportunity for "passing the buck" will prove advantageous to the Manchurian authorities is beyond question, for matters of diplomatic issue upon which there is no division of opinion will undoubtedly for the most part be handled independently as before; but knotty questions such as this Kirin-Tunhua extension may be left to Nanking to settle. Moreover, it is not generally thought that Manchuria will feel itself

bound by any Nanking decision which affects it adversely. What Japan's reaction to this state of affairs will be is difficult to see. Publicly she has said that she had no objection to the "White Sun" flag in Manchuria, but that she will continue to discuss all questions with regard to her "special interests" in Manchuria with the Manchurian authorities and not with Nanking. At the present writing there is no indication of what Japan's course will be, though due to the effects of the boycott directed against her it may be assumed that she will be as politic as possible.

The third reason that actuated the Manchurian authorities in entering the government of the San Min Chu I, was undoubtedly the fear of Kuomintang propaganda which could not be suppressed. Following Chang's retreating army went the proponents of the San Min Chu I, and while their work has not created any disturbances as yet, it was known that their converts were many and were increasing. Now, though in reality there is no change in the government in Manchuria, Chang Hsueh-liang can say that the Three Eastern Provinces are now a part of the Nationalist regime, have adopted the San Min Chu I, and all cause for discontent has been eradicated. In this way he has forestalled the propagandists.

At present Kuomintang headquarters are being established in Kirin, Heilungchiang and Mukden. The former government has been abolished and a form of control modelled after Nanking has been invoked. A governing body for Manchuria has been organized in Fengtien called the North-Eastern Political Council, on which will sit two of Nanking's men, while the power is still Chang's. All of Chang's appointees have been ratified in office; Gen. Chang Tso-hsiang as Chairman of the Provincial Committee in Kirin, Gen. Chang Yin-huai as Chairman of the Heilungchiang Committee, and Mr. Chai Wen-hsuan, Chairman of the Fengtien committee. Gen. Chang Hsueh-liang himself has received the title of Commander-in-Chief of Frontier Defense of the Northeast. Manchuria then is the Manchuria of old, its frontiers remain the same, it retains its revenues and still appoints its own officers. The only change is one in name.

Nanking has undoubtedly gained strength through the consolidation and if she can control Manchuria's foreign affairs, as she desires, will be able to drive harder bargains than Manchuria was ever capable of doing.

Executions. On January 10th, without any warning, Chang Hsueh-liang caused the arrest of Generals Yang Yu-ting, Chang Yin-huai, Wang Chih-lin, Tsang Shih-yi and Mr. Chang Hsuan, chief of the telegraph office. On the same day Generals Yang Yu-ting and Chang Yin-huai were executed. There are various reports at large of the affair, one holding that the Young General invited his victims to a maj-jong party, showed them documentary evidence of their guilt and executed them forthwith; another that they were given a court-martial which lasted five hours, which convicted them of treason and sentenced them to death. In a circular telegram signed by the "Old Guard" of Mukden, Gen. Chang Tso-hsiang, Gen. Tang Yu-lin, Gen. Wan Fu-lin and Gen. Chang Hsueh-liang, it is affirmed that Yang Yu-ting and Chang Yin-huai were responsible for all the wars that Mukden had waged inside the Great Wall since 1924; that they opposed the peace move made by Chang Tso-lin last summer; that they squandered 200,000,000 dollars of public funds; that they opposed the restoration of rolling stock to the Nanking Government; that they adopted a domineering attitude in discussion of public questions; and that they plotted against the peace of Manchuria. The contents of this telegram may be set aside at once. It seemed to be an appeal to the Nanking Government for forgiveness, since Chang Yin-huai was Nanking's appointee as Provincial Governor of Heilungchiang, and official objection to his murder might be expected. The truth sticks out in the last charge "that they plotted against the peace of Manchuria" and if the statement had read "that plotted against the powers that be in Manchuria" probably nearly the whole truth would have been told.

Yang Yu-ting and Chang Yin-huai were the ablest men in authority in Manchuria. The former was often spoken of as "the brains of the Fengtien

group". Rumors have been circulating for a long time concerning a rift between Yang and Young Chang. A report last September, given space in the newspapers, was that General Chang had executed Yang at Luanchow. Later it was heard that Yang Yu-ting and Chang Yin-huai were plotting against Gen. Chang Hsueh-liang in Mukden and Heilungchiang.

For many years it has been believed that a rift was inevitable. Yang was certain to be jealous of Young Chang, since he, Yang, knew he was the abler of the two, and since he had to sit calmly by and see the old Marshal's mantle fall on shoulders which most men deemed unworthy of the honor. Mention is made in all reports of the affair of incriminating documents with which the two generals were confronted, and until the contents of those documents is known the exact reasons for the killing will remain matters for speculation.

It is not thought that the execution will have other than a local effect. All Manchuria remains quiet, as care was taken to place guards in all the sensitive localities prior to the execution. As far as Nanking is concerned, Gen. Chiang Kai-shek probably voiced the government's opinion when he telegraphed on January 14th approving of Chang Hsueh-liang's action. It was thought that since Nanking had gone through the formality of appointing Gen. Chang Yin-huai as Chairman of the Provincial Committee of Heilungchiang, some objection might be made to his execution without governmental sanction. That no objection was made, rather than on the other hand Chiang Kai-shek telegraphed his approval, is an indication of how completely independent Manchuria remains in spite of the "White Sun" flag. The fact that the telegraphic explanation was signed by the "Old Guard" or reactionary element in Mukden is prima facie evidence that that party is in power and will dominate affairs in the immediate future. As a further indication, Gen. Wan Fu-lin, one of the reactionaries, has been appointed Chairman of the Heilungchiang Provincial Government in Chang Yin-huai's stead.

3. <u>The Disbandment Conference</u>.

The over-advertised Disbandment and Reorganization Conference, after having been postponed many times, was formally opened in Nanking on January 1st. The first business meeting did not occur until January 7th, and up to the present writing, January 15th, only one other plenary session has been held, that of January 11th. Gathered at this conference are all of the important military leaders of China proper, Chiang Kai-shek, Feng Yu-hsiang, Li Tsung-jen, Li Chai-sum and Yen Hsi-shan. Chang Hsueh-liang has sent a delegation of fourteen with Gen. Wang Shu-chang as its head. Never before in China have such different types, expressing so many different ambitions, gathered around one board.

While an effort has been made to keep the business of the conference secret, and no agenda has been published, it has been learned that among the subjects up for discussion are:

Disbandment and Reorganization of Troops;
Centralization of National Finances;
Branch Political Councils;
Membership of Next National Congress;
National Defense;
Reorganization and enlargement of Navy;
Division of China into Military Districts;
Preparation of National and Provincial Budgets.

An Examining Committee with Feng Yu-hsiang as Chairman, and Yen Hsi-shan, Li Tsung-jen, Li Chai-sum among the members, has been appointed to examine all proposals to be brought before the conference. It would seem that any controversial proposal would be killed in committee. Among the proposals submitted to this committee to date, are one for National Defense, with Japan the enemy; one for reducing the army to 60 divisions composed of between 700,000 and 800,000 men; and a plan to put 200,000 disbanded troops to work on farms and mines, in each of the following districts: South of Yellow River; Suiyuan; Changlu; Manchuria, and Jehol; 400,000 discharged soldiers to be sent to Sinkiang, Chinghai and Hsikong. T. V. Soong has also proposed a plan for the centralization

of finances which has not been made public, and Feng a proposal to place both military and commercial aviation directly under the Ministry of Military Affairs.

Prior to the conference the papers contained much interesting matter with regard to the national finances and the percentage thereof required for the army. Gen. Ho Ying-chang, Military Training Director from Central Party Headquarters at Nanking, stated that the national income was $450,000,000; that $130,000,000 was needed to meet the national debts, and that the upkeep of the armies in China amounted to $380,000,000 a year. Li Chai-sum stated that four-fifths of Kwangtung's income was expended on the soldiery.

It is too early to state what will or will not be accomplished at this conference; however, it is significant that all of the conflicting elements are represented and are around one board. It will be remembered that Sir Robert Hotung called a conference of conflicting military commanders some years ago and that due to distrust and jealousy, none of the leaders came. Now, and contrary to the opinion of many "old China hands" they have at last come together. Merely this fact is important, denoting more mutual confidence and less distrust than has been evidenced in China for years. That something will be done with troop reduction is probably; that something will be done with the centralization of the government finances is likely. It is probable that the armies of the "Big Five" will suffer little reduction and it is to be expected that most of the reduction will take place among troops under the smaller leaders. A wholesale reduction such as advertised, of approximately 1,000,000 men, is impossible without throwing China into chaos, as certainly, economically, China cannot absorb them and they would turn to banditry. It may be expected that many irregularities will be made legal, such as the control of various areas and arteries of communication by the "Big Five".

In view then of the fact that all the military leaders are at least airing their grievances among themselves, and the fact that the Chinaman, more than any other person in the world, is open to compromise, the conference may be expected at least to delay the conflict which all feel is inevitable. How long the truce will last no one can predict.

4. Treaties with Various Powers.

Those of us who have China's welfare at heart can not but deplore the weakness in evaluating quality of the Chinese official mind. This, according to Sun Yat-sen's formula, is the "Period of Political Tutelage and Reconstruction". This is the time, it would seem to us, when the House of China should be well cleaned - old furniture and all dirt thrown away, the premises made bright and perhaps some new utensils purchased to replace those that are outgrown or outworn. Instead of this procedure, Chiang Kai-shek recently stated that of primary importance was China's foreign relations and the domestic problems could wait. The Nationalist Government has followed this policy and as certainly as they have placed the cart before the horse so certainly have they made a success of their efforts. Never before have foreign powers been so ready to help China. Treaties have been signed with all countries, excepting Japan, whose treaties have either lapsed in time, or who held treaties limiting China's right to fix her own tariffs.

Treaties related to tariff were signed with the United States July 25th; with Norway, November 12th, with the Netherlands, December 19th, Great Britain, December 20th, Sweden, December 20th and France, December 22nd.

Treaties with countries whose earlier treaties had expired, covering extraterritoriality as well as tariff, were signed on November 22nd with Belgium; on November 27th with Italy; on December 12th with Denmark; on December 19th with Portugal and on December 27th with Spain. It is thought that Yoshizawa, who is now en route to Shanghai, will sign the Sino-Japanese tariff agreement before February 1st, the date on

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which the new tariff law goes into effect.

Whether or not China is prepared to accept the responsibilities laid upon her by these new agreements is an open question. Apparently the provincial authorities, whose main source of revenue has been the likin tax, are not willing to forego the benefits of this tax, though they are willing to change its name. Therefore likin will henceforth be called "Special Consumption Tax", and the machinery for its operation is now being installed in the provinces of Kiangsu, Chekiang, Anhwei, Kiangsu and Fukien. Since the tariff treaties are all predicated upon the abolition of likin it would appear that friction is inevitable.

5. The Japanese Boycott.

During the period under review the Japanese boycott has made appreciable strides and has now reached a point where it is doing serious damage to Japanese trade practically throughout China. The organization, "Anti-Japanese Society", is in general in charge of the movement and its management is efficient. Members of this society are receiving salaries, and devote their whole time to the work.

The boycott has become acute in Hankow and is effective in Tientsin. In the latter port pickets are placed outside of Chinese stores dealing in Japanese goods, and prospective purchasers are intimidated. Further, members of the society and students recently raided these stores, and destroyed or carried away all of the Japanese merchandize they could lay hands on. The Consul in Tientsin estimates that while Japan is of course bearing the chief burden of the boycott, Chinese firms dealing in J apanese goods have since the middle of September lost over $1,000,000 yuan currency.

In Hankow the boycott has been aggravated by (1) the killing of a coolie by a truck driven by a Japanese marine; (2) by the beating up by a Japanese marine of a coolie, alleged to be the other coolie's brother, who was distributing anti-Japanese literature. Demands have been presented to the Japanese authorities for the withdrawal of all Japanese

troops in Hankow, and an indemnity of Mex. $3,000 for the death of the coolie in the motor accident.

At the present writing the Japanese Concession in Hankow is being picketed; no Chinese transportation is being allowed to enter; Chinese in the employ of the Japanese are being intimidated; and a strike is being fomented on the Japanese docks. An embargo of all foodstuffs was only partly successful, but it is significant that the effort was made. So far care has been taken to offer no physical violence to any Japanese.

That the boycott is one of China's most useful and dependable weapons is well known. Through experience in Canton and Hongkong they are adept in its manipulation. It is a weapon which may be used against any nation at any time in a very effective way, and is difficult to combat. The present boycott is most certainly receiving the sympathy if not the actual support of the government - a sympathy and support which would never be admitted.

The situation in Hankow is fraught with grave possibilities. The order has gone out that physical violence shall play no part but the aggravation caused by the accident to the coolie has been so well capitalized that orders may be forgotten. The Japanese would, I believe, welcome an opportunity such as that suggested, as they are more than "fed up" with the boycott in all its phases.

6. <u>The Customs Service</u>.

In a dispatch to the Minister of Finance, dated December 31st, Mr. E.H.F. Edwardes after pointing out the evils which had befallen the Customs Service, handed in his resignation as Officiating Inspector General of the Chinese Maritime Customs. At Nanking, on January 8th, his resignation was accepted, and Mr. F. W. Maze, Commissioner of Customs in Shanghai, was appointed full Inspector General.

Prior to Maze's appointment the Chinese members of the Customs Service issued a manifesto demanding that a Chinese I.G. be appointed as soon as such an act would not embarrass diplomatic relations, and since Maze must retire in two years for age, the implication is that the change take place then. Upon his assumption of control of the 8th inst., Chinese members of the Customs handed him an ultimatum calling for increased salaries and a very large increase in Chinese members in the higher grades.

This brief recapitulation sums up a period almost without precedent in a British directed service. British services have always been noted for esprit de corps and loyalty. Maze as Commissioner of Customs in Shanghai, where the present government rested while it had control of the Y angtze but not of the North, was to all intents the I.G. for the Nanking Government for southern and central China. He forsook loyalty for the paths of intrigue. Soon all orders for the service were sent first to him, and he forwarded copies to Edwardes in Peking. Edwardes' position was undermined, and virtually became subordinate. He naturally resigned. The foreign staff of the Customs remain loyal to Edwardes, and consider Maze's intrigues as detestable.

Maze's ambition has done nothing more than make him a cat's-paw for the National Government. The Chinese see in him a man who soon must retire, who probably will cater to their wishes while he remains in office, and who they may be able to replace with a Chinese. Had Maze fifteen instead of two more years of service left him in the Customs, he would never have been chosen.

Members of the Customs' foreign staff feel that they will be rapidly forced out, and predict that there will be few if any foreigners left in the Customs service ten years from now.

Foreigners resident in China are abashed that such a thing could have befallen the Customs service, a service which has stood out as a monument to the integrity, industry, and ability of the Anglo-Saxon race above the dishonesty, sloth, and inability of the surrounding yellow landscape.

7. Miscellaneous Notes.

Party Strife. At the August session of the Central Executive Committee it was moved to abolish the Branch Political Councils by Jan. 1 st of this year. Immediately the outcry arose from all persons affected, Li Tsung-jen leading in protest. The Peking Branch Political Council was not long silent, and soon protest was heard from the country at large. The issue is between the proponents of a strong central government, chiefly members of the Nationalist regime, and those advocating more or less regional autonomy. Feng Yu-hsiang has come out strongly in favor of their retention; Chiang Kai-shek is known to favor their abolition. While the orders were issued from Nanking that January 1st would write finis, the councils are still functioning and the question of their abolition will probably occupy some time in the Disbandment Conference.

Our own old problem at the organization of our govt.-

On January 2nd, a mandate issued from Nanking directing the resignation of the five members composing the Hopei Party Directing Committee, and nominating in their stead five others headed by Yen Hsi-shan and Yang Shen. A mass meeting was called by the affected members headed by Wang Shih-chin, but Shang Chen took immediate steps in opposition and the meeting was never held. While the deposed members are still giving vent to their feelings it looks as though they would soon turn over their seats. But another conflict between things as they are, and things as some would like to have them, between Yen & Co. in actual power here, and the advocates of a strong Central Government at Nanking.

Of more than passing interest is the conflict being waged for control of the National Congress scheduled to open on March 15th next. The party in power versus the party out of power - Chiang Kai-shek and

Feng Yu-hsiang vs. Li Tsung-jen, et al. A storm of protest arose sometime ago when it was announced that the Central Party Office would appoint one-half of the delegates to the forthcoming Congress. Branch Political offices declared that the Congress must be representative, that the Central Party Office was exceeding its authority, and that the appointment of members to the next Congress should be in their hands. Accordingly the Central Party Office promulgated a new decision which though sugar-coated is filled with paregoric; namely, that (1) all properly organized provincial party branches may elect their own delegate, (2) that all branches in process of organization may select their delegates from a list submitted by the Central Office, or select a list from which the Central Office will choose delegates, and (3) the Central Kuomintang will appoint delegates for branch party offices not yet organized. Innocuous enough on the face of it, but on investigation it was found that practically all of the branch organizations are now in the hands of Supervisory Committees appointed by the Kuomintang which are automatically abolished when the Branch becomes properly organized. Since this remarkable decision was rendered the Branch Political bodies have remained silent and their probable rebuttal has not been indicated.

Communistic Activities. Indications are apparent that the Young Communist League of China, in spite of its sub rosa existence, is flourishing. Communistic literature gives the strength of the organization in July, 1927, at the height of Russian influence in China, as 35,000, 38% of which were students. After the "purification" of the party, in August, 1927, it had 15,000 members; now, although subject to very active repressive measures on the part of the government, it has 70,000 of which only 22% are students. Attention is invited not only to the growth of the League but to the decrease in student membership, indicating as it does work carried on among the peasant class and carrying with it an unhappy parallelism to the spread of communism among this class in Russia. The police and government are taking stringent steps in suppression, and press

Peasant opposition to communism.

notices are frequent concerning the arrest of communists, but the movement will undoubtedly continue to spread so long as the peasant in China is victimized by the bandits, the soldiers, the government, and the economic conditions under which he lives.

Correction. In the first paragraph of "Comments on Current Events", December 1-15, 1928, it was stated that some of Yen Hsi-shan's divisions had been withdrawn to Shansi. It is wished to correct this statement, for while these divisions received orders and even in some instances entrained, they never actually left for Shansi. Yen Hsi-shan issued orders for the withdrawal upon reaching S hihchiachuang after being closeted with his Shansi lieutenants. But upon reaching Nanking orders for withdrawal were revoked. It is probable that the military leaders in Nanking prevailed upon Yen to leave his troops in the Peking-Tientsin area because of the pressure to the north of the troops of Pai Chung-hsi. It was undoubtedly believed that Yen's forces would effectually off-set the dangers of P ai's. Pai it will be remembered was Li Tsung-jen's Chief of Staff.

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COMMENT ON CURRENT EVENTS

January 15-31, 1929

1. General Summary.
2. Manchuria.
3. The Japanese Boycott.
4. Communism.
5. The National Reorganization and Disbandment Conference.
6. The War in Szechwan.
7. The Japanese Tariff Agreement and the Tariff.
8. Miscellaneous.

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1. General Summary.

Conditions in Manchuria after the execution of Yang Yu-ting and Chang Yin-huai, reported in the last "Comments", have not changed and no national repercussions have been felt. The malcontents already in Dairen, e.g., Ataman Semenoff, Chang Tsung-chang, Tuan Chi-jui and members of the Chihli and Anfu cliques, have now been augmented by the partisans of Yang Yu-ting, and that city has become a hot bed of intrigue.

No untoward events have occurred in the Japanese boycott. A lull in activities has come about pending the conclusion of the Sino-Japanese tariff negotiations. Hankow remains quiet with a Japanese landing force of 1,000 being held aboard ship in readiness for eventualities.

With the exception of an anti-foreign parade in Foochow, and the usual arrests of communists, there have been no remarkable anti-foreign or communistic developments.

The National Reorganization and Disbandment Conference was brought to a close on January 25th. Upon its dissolution it elected a standing committee of eleven members to carry out its decrees. While the bills passed are a panacea for all ills, it is not believed that they are capable of execution in the present era.

The war in Szechuan continues despite the commands of the National Government. No particular outcome can be predicted, and no limit in time can be set.

From M/A, China Report No. 7435 February 1, 1929

The new tariff goes into effect on February 1st raising the import duties on an average of approximately 12%. Due to lack of agreement over the points at issue, the much heralded Sino-Japanese treaty could not be concluded, but the way was made clear in tariff matters by an exchange of notes in which Japan recognizes China's new tariff and China is said to have recognized the Nishihara loans.

2. Manchuria.

Stories concerning the execution of Yang Yu-ting and Chang Yin-huai continue rampant and vary from the melodramatic tale of Sun Ch'uan-fang, in which Chang Hsueh-liang is discovered in a state of mental collapse receiving an injection of morphine in his arm, and crying, "I killed him with my revolver", to newspaper yarns alleging that six soldiers did the shooting through Chang Tso-hsiang's wishes rather than the Young General's. Our correspondent in Mukden states that the execution simply forestalled Chang H sueh-liang's murder, in that a coup had been planned by Yang Yu-ting for the 12th and the Young Marshal heard of it in time to frustrate it completely on the 11th. While there was a little flurry immediately after the execution, it was of short duration and the public, philosophic at all times, has apparently accepted the fact and the conditions leading thereto, without more than a passing show of interest. In fact, Chang Hsueh-liang's action in paying his victim's funeral expenses and in giving his widow $10,000 has been commented upon favorably, and the reflection made that this generosity is noteworthy when compared with the decrees of the former Son of Heaven, who in like cases was wont to order the "family extinguished".

Most of Yang Yu-ting's cohorts have fled to Dairen, and that city bids fair as an incubator of plots to become a thorn in Manchuria's side. Gathered in that place, founded by the Czar of the Russias for the innocuous business of trade, there are reported from various sources to be over 200 malcontents headed by Chang Tsung-chang, Ataman Semenoff

and Tuan Chi-jui, who are plotting against the peace of Manchuria, of China and of the U.S.S.R. Speculation was rife when recently Chang Hsueh-liang invited Chang Tsung-chang for a conference in Mukden. But the invitation coming as it did immediately following the execution of Yang, was evidently regarded with suspicion by the former war lord of Shantung - who remains in Dairen. The inference is that as Chang has consolidated himself by his latest coup de main he will not tolerate this hot bed in Dairen but will take appropriate action to break it up.

Manchuria presents the unusual aspect of a country habitually at war, with a big and well equipped army, exorbitant taxes, surrounded by foes, waxing rich and growing enormously. A country intrinsically so wealthy that a large amount of mis-government has no appreciable effect. While the interference of Russia and Japan in Manchuria is deplored by Manchurians and Chinese as well, paradoxical as it may seem, their influence has been largely instrumental in bringing about the prosperity there. The equilibrium manifested is due more than anything else to the huge forces pulling in opposite directions upon her. Were Russia and Japan suddenly to lose all interest in Manchuria, if the rest of China is any indication, civil war and pillage would rapidly take the place of peace and plenty.

In no more graphic way can the prosperity and progress of Manchuria be described than simply to state that the firm doing the largest import business in Harbin is the International Harvester Co.

The J apanese Boycott.

Pending the settlement of the Sino-Japanese treaty controversy the Japanese boycott has quieted down. Orders have emanated from Nanking to Hankow putting the quietus upon actions detrimental to the spirit of the treaty negotiations. At the beginning of the period under review incidents such as the seizure of a motor boat said to be the property of the Hankow River Defense Bureau, engaged in picketing the Japanese docks,

and the alleged torture of a Japanese subject found prowling around in Chinese clothing outside of the Japanese concession, seemed to be leading to an open break. That the Japanese expected this break is certain, because on the 24th inst., three more destroyers were sent to Hankow, making the total of Japanese naval vessels at that port eight. The Japanese Naval Attache advised that a landing force of over 1,000 is being held on board ship in readiness for eventualities.

It is thought that no further developments in the boycott situation will occur until the Japanese treaty conferences are concluded, unless concessions are wrung from the National Government which are unpopular with the Chinese.

The boycott is still widespread, being evidenced here in Peking by wooden cages erected by the "Anti-Japanese Society" to incarcerate dealers in Japanese merchandize. These cages were visible no more than a week, as General Shang Chen, the local commander of troops, ordered them removed from the public streets. This in accord with the tentative policy outlined above.

4. Communism.

Scarcely a day goes by but that notices are carried in the papers that communists have been arrested in various districts. These arrests are not confined to any one locality. There seem to be as many arrests in Manchuria as there are in Canton, and as many in Peking as there are in Hankow.

Last week the press reported that an armed band of about 200 communists carrying the axe and scythe Soviet flag attacked the village of Chwanghengcheng in Kiangsu, set fire to and pillaged the town and killed or wounded some seventy of its inhabitants. Upon being driven from the place it was found that they had left posters advocating non-payment of debts, taxes and rents, and support of communism. While it

is not believed that such a demonstration at this juncture would be condoned by the Communist Party, still it is significant that the malcontents and bad boys carried Soviet flags and were versed in communistic slogans.

The Consul at Foochow reports the spread of communism in his district and an anti-foreign parade of some two thousand participants in Foochow itself. His belief that "anti-foreign nuclei exist in many places; that they are not, however, definitely organized or allied; but that a widespread organization would immediately result from an incident sufficiently inflammatory in character" is pregnant with truth, and might well be made to include a much larger area. What relationship these "nuclei" have with communism is unknown, but the fact that in the past communism and anti-foreignism have been boon companions and confederates is well known, as is the fact that communists see in every malcontent a possible convert.

5. <u>The National Reorga nization and Disbandment Conference</u>.

The National Reorganization and Disbandment Conference closed on January 25th with its 6th plenary session, leaving in its wake a standing committee of eleven to carry out its ideas. After Sun Yat-sen's funeral on March 12th it is planned to re-convene under the name of the National Defence Conference. The most important bills passed were bills for the reduction of the Army to 800,000 men, with Nanking responsible for their upkeep and pay and with local commanders remitting to the Minister of Finance all monies heretofore kept for payment of their troops, and a plan by T. V. Soong for the rehabilitation of the finances of the nation predicated entirely for success on the successful reorganization of the Army and the ability of the Committee of eleven to carry out the plans of the conference.

With the exception of the sudden resignation of Admirals Chen Shao-kuan and Chen Chi-liang, said to have been due to an attempt to draw attention to the neglect of the Chinese navy, the conferences seem

to have been held in unexpected harmony. Important bills were passed, profound remarks were made, Sun Yat-sen was gloriously extolled, the White Sun flag boldly waved. No plans for an Utopian China could have been more complete - militarism was vanquished - peace enthroned - finance rehabilitated - graft abolished, - all on paper. Could the theories of the Disbandment Conference be put in practice little more would have to be done to put China on her feet.

What actually was accomplished was the drawing together for a short while of forces which were all pulling in opposite directions, and the discussion by principals in open forum of questions which heretofore had been viewed chiefly from one side. The conference has probably done much good in this way, and it is thought that more friendly relations between the military rivals will result. A full discussion of the conference will be made the subject of a special report.

6. <u>The War in Szechuan</u>.

The fighting in Szechuan, described in the current "Situation Report", with an occasional lull, continues to embarrass the Nanking Government. Manifestoes have been promulgated ordering the cessation of hostilities, still the fighting goes on. Chiang Kai-shek has even threatened to quell the uprising himself, all to no avail. The full power of the Nationalist pen and ink battery has been expended in salvo after salvo, with no effect.

Roughly the present trouble may be ascribed to the ambitions of the two principal contenders, General Yang Sen and General Liu Hsiang. Neither was satisfied with the income produced by his own holdings, and each wished to usurp the power of his rival. That for the present Yang Sen has consented to assume a minor role in Teng Hsi-hou's army is of little importance - for Teng is carrying on the old ambition. Changes in personalities come with frequency in the Szechwan wars, but the idea does not die - simply the desire of the opposing camps, each for complete dominion.

Szechwan is the breeding ground of war. There it was that the great Taiping Rebellion first saw the light of day, there that the revolt against Yuan Shih-kai was fomented, and there that the seeds of the Revolution of 1911 first ripened. A rich, pleasant, well watered area, crossed by the fertile valley of the Yangtze and inhabited by sixty million souls, it is a rich prize.

7. <u>The Japanese Tariff Agreement and the Tariff</u>.

On January 19th, C. T. Wang and Consul-General Yada completed their conversations over the new tariff a nd an agreement was drawn up, signed by Wang and sent to Japan for ratification. The Privy Council endorsed the agreement on the 29th and it was signed by the Charge d'Affaires of the Japanese Legation, Mr. Hori, and forwarded to the Nanking Government. This agreement makes operative the revised tariff which goes into effect on February 1st and will increase the duty on practically every article of import from 2 1/2% to 22% - an average of about 12%.

While no confirmation is at hand, Reuter persistently reports that Japan's signature to the agreement was obtained in exchange for China's recognition of her unsecured loans, and her willingness to set aside $5,000,000 a year to meet them. If this is the case it may be expected that there will be an outcry from all parts of China, and that it will be an issue in the coming National Congress scheduled for March 15th.

This agreement after all is but tentative. It had been hoped to conclude a treaty, but so much variance was found over the points at issue, e.g., the Tsinan incident, control of the Tsinan area and the Tsin-Pu railroad, and the withdrawal of troops from the Shantung Peninsula, that no common understanding could be reached. Conversations concerning the above mentioned points will be continued after the Chinese New Year by the Japanese Minister, who is now in Shanghai, with the view of concluding a genera l treaty during the coming year.

Miscellaneous.

Conditions in Canton. Information furnished by the Naval Attache from an agent in Canton indicates that an upset in local affairs is expected in that region. At present about $1,000,000 from the Kwang-tung revenues is being sent Kwangsi every month and the Cantonese are said to be trying to overthrow the Kwangsi party and Li Chai-sum now in power there, in order to get their hands on this revenue. Such an event would be greatly accelerated in case of an open conflict between Li Tsung-jen and Feng Yu-hsiang in the Yangtze Valley, which has, however, been indefinitely postponed due to the more friendly relationships established at the Disbandment Conference.

Change of Capital. Rumors persist regarding the change of the capital from Nanking. Speculators are buying land here in Peking, and the feeling is that as the National Government has not spent a dollar in building in Nanking there will be a move. Feng Yu-hsiang has advocated moving the capital to Sianfu, saying that there at least safety would be found from foreign aggression, and from there the marches of the Republic, Mongolia, Tibet and Sinkiang could be more effectively governed. The reductio ad absurdum.

Hangchow is being advocated as the new capital by Tang Shao-yi, and Nanking seems to be the only place without a band of loyal boosters. Natives of Peking contend that as it will cost $50,000,000 to build a new capital, and as the government is notoriously short of funds, the old northern capital, having buildings both public and private in great abundance, should be used. Many are the arguments advanced against Nanking; that there is no water supply and all drinking water is being shipped by train from Shanghai; that Nanking is incapable of defense; that it is dirty and unhealthy. It would seem that an eventual move is likely.

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COMMENT ON CURRENT EVENTS

February 1-15, 1929

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2. Post-disbandment Conference Developments.
3. Nanking and the Party.
4. Circulation of Leaders.
5. Manchurian Situation.
6. Pai Chung-hsi.
7. The Chefoo Situation.
8. Sino-Japanese Negotiations.
9. Miscellaneous Notes.

1. General.

Normal developments and activities in China are in abeyance during the few weeks before and after Chinese New Year (February 10th). This year there was no exception despite the mandates of Nanking that the lunar calendar henceforth was to be consigned to limbo. The highest officials in the capital departed for their native places and the urge to retire into the heart of the family was poorly disguised by the reasons announced. This exodus from Nanking may be beneficial to all concerned in that the leaders will escape from the emotional and somewhat unreal atmosphere of the capital and again regain touch with the people. It may be that some of them will appreciate the existence of the great chasm between the political forum, which is Nanking, and the mass of struggling people which is China.

An analysis of the news of the first half of February results in a few facts of importance and a great number of minor incidents and trends all pointing to a growing opposition to the government. The new tariff went into effect on February first, the permanent disbandment committees were installed on February second, the Manchurian officials took over their seals of office as Nanking appointees on the fourth; but these events have already been doubly discounted by Nanking. The Sino-Japanese negotiations, so promising on February 7th, suddenly encountered a deadlock the next day and so remain. Feng Yu-hsiang and Yen Hsi-shan have

left the politically hygienic atmosphere of the capital and it is a matter for speculation what impure influences may work upon them when faced with realities in the provinces. The Kuomintang has about run the gamut of conferences. Now the difficulties are mounting against the practical realization of the recommendations of the conferences. Already evidences are at hand of the various schemes which will be employed by militarists to appear to disband while yet retaining personal armies.

The important news of the period consists of a great number of events, unimportant when considered individually, but when taken together show a widespread and growing opposition to the government, an opposition which if shrewdly consolidated can be made to appeal to the people in much the same way and for the same reasons that the present regime originally appealed.

2. Post-disbandment Conference Developments.

Since the final session of the Disbandment Conference (see Report No. 7436) on January 25th, the responsibility for carrying into effect the sweeping reforms advocated by the Conference has rested with the Standing Committee designated by the Central Political Council. This Standing Committee, as well as a National Defense Committee and a National Finance Committee, was formally installed on February 2nd. Several meetings of the Standing Committee were held prior to the departure from Nanking of the important members but no authoritative announcements have been made of action taken. The press states that all army group headquarters will be abolished on March 15th and that in their places disbandment offices will open the following day. It is said that in each of the six disbandment areas a committee of nine members will be appointed to consist of the commanding general of the regional area, one appointee from the Central Government, two from the party central and one each from the other five military regions.

On January 29th, the Executive Yuan authorized the Ministry of Finance to float a bond issue of $50,000,000, to be secured on the customs, the proceeds of which to be devoted to "troop disbandment and to meet any deficit likely to be incurred during the period of disbandment....". No information has been received of the progress of the loan negotiations, but the general impression here is that the Shanghai bankers will not or can not make any such sum immediately available. The press reports that the National Defense Committee will be called into active existence upon the return of Li Chai-sum from Canton. The proceedings will be secret since they deal with such matters as coast defense, aviation development, arsenal reorganization and frontier defense. General Wu Te-chen, a member of the C.E.C. now in Peking, stated to me that the Defense Council would establish itself in Peking.

Bearing on this subject, instructions have doubtless been issued for the submission of defense plans. The Japanese Military Attache assured the British Military Attache and myself of the truth of the following story: A Japanese educated officer recently came to him stating that he had been called upon to submit recommendations for a defensive plan and requested that authority be obtained for him to go to the War Office in Tokyo to get assistance in the preparation of such plans. In view of the popular assertion that China's principal enemy is Japan, this method of approach to the solution of a strategical problem appears humerous, at least, to any but a Chinese. Incidentally the operations officer admitted to General Tatekawa that he had no figures on the forces, arms and munitions available for the purpose of defense, and stated that such figures were not accurately known even to Chiang Kai-shek.

From this time on one may expect to hear of some interesting and varied methods to be employed by militarists all over China for carrying out the pretense of disbandment without actually disbanding.

Three loopholes already provided for in the plans officially announced by the Disbandment Conference are: The organization of provincial troops; the formation of labor battalions; and the provisions for further military studies for certain inactive officers. The first specific case of palpable evasion has come to light in the case of Pai Chung-hsi. Under the pretext of disbandment, about 1500 officers have been ordered relieved from troops to attend a school in the outskirts of Peking. The course is purely a military one and will last a year. Ken Wang, graduate of West Point, 1918, is an instructor in the school. He verifies the facts of the organization of the school, but is naturally hesitant to admit its rea l significance.

3. Nanking and the Party.

Lacking authority and lacking money the shortcomings of the government continue to loom larger than its accomplishments in all internal matters. The Party too is having its troubles as insubordination in the party locals increase against the party central. There are unmistakable evidences that the opposition to the present group in control at Nanking is becoming more widespread and is showing more signs of organization. The preparations for the coming congress have been sufficiently thorough to prevent the return of a majority of radical delegates and it does not now appear that the opposition can create any serious obstacle to the formation and conduct of the congress. However a too patently "stacked" congress may itself furnish the material for future attack by the opposition. One can almost predict that the radicals will draw analogies between the Third Congress of the Kuomintang and the Tsao Kun's Three Million Dollar Parliament.

A member of the C.E.C. informed me that the party central itself is appointing 50% of the delegates to the congress; is appointing, in addition, the delegates from those provincial locals declared "incompletely organized", and in the case of each other delegate is

passing upon his eligibility to sit in the congress. Whereas there can be little doubt of the wisdom and expediency of the party officials in safeguarding the young government against the disrupting effects of radical opposition, the arbitrary methods of factional chiefs in retaining their position subjects them to the charge of reaction and accentuates the cleavage within the party.

As mentioned in the report of my trip to Nanking, Dr. Wang Chung-wei told me that the insubordination and illegal interference of the party locals in administrative matters was a temporary phenomenon. Recent reports from many sources indicate that these evils are not peculiar to the recently acquired North but persist in the South as well. The fact is that the discipline of the party central over the locals is very ineffective. Everywhere one hears of the confusion, and consequent bitterness, created by the constant interference in administrative affairs by party members under the protection of the local party organization. This perhaps even more than the high taxes creates prejudice against Nanking. In the Peking area there is a sullen hatred of the Tang (the party). Among the ordinary people contempt and scorn of the San Min Chu I and the Tang is general. Chang Chi, Chairman of the Peking Branch Political Council, recently submitted his resignation as a protest against the interference of the local party organization. He was publicly quoted by his secretary as having said that the people have come to consider party men worse than the Mukdenites. In this area the people are subject to the exactions of four authorities: The military (in Peking mild); the provincial government; the branch political council; and the illegal and arbitrary party locals.

4. <u>Circulation of Leaders</u>.

The undue suspicion attached to the peculiar backings and fillings of military leaders just prior to the successful assembling of the Disbandment Conference causes one to hesitate to attach too much signifi-

cance to the comings and goings of those same militarists today. Nevertheless one cannot overlook the fact that there is still a considerable difference in the possible conduct of leading militarists at home in the midst of their troops and the same men in the rarified, round-table atmosphere of Nanking. Li Chai-sum arrived in Canton on February 2nd, to arrange disbandment plans; Yen Hsi-shan left Nanking February 4th to visit the bedside of an ailing father; Feng Yu-hsiang departed for Kaifeng on the 5th to look after famine problems; Chiang Kai-shek is visiting his native place near Ningpo on short leave. Li Tsung-jen remains in Nanking. All absentees announce their early return to Nanking. As usual the greatest suspicion rests upon Feng Yu-hsiang who gained no stature in recent events. Already many are saying he will not go back to Nanking.

5. Manchurian Situation.

Superficially the relationship between Nanking and Mukden seems to be improving. However since the autonomy of the Three Eastern Provinces is as complete as the local officials desire, Nanking can order nothing done in Manchuria. The superior political sagacity of the nationalists is making itself felt among the politically mediocre Mukdenites. The worming-in process of the Southerners is beginning to tell due to the gradual disappearance of that pronounced leadership and cohesion which formerly made Manchuria a menace. The process however has not proceeded so far as to accomplish the three immediate objective of Nanking, namely, the release of all retained rolling stock, the relinquishment of the control of the Peking-Mukden Railway and the turning over of the area between the Lwan River and the Great Wall. Grudging compromises and half measures have been conceded on all of these points but, despite recurrent reports to the contrary, only a small portion of the rolling stock has been returned, and Mukden still controls the north-east corner of Hopei. The latest reports indicate that Mukden insists on retaining that hsien which includes the port of Chinwangtao.

Wen Ying-hsing, West Point, 1909, a close friend of Chang Hsueh-liang, has just returned from Mukden. He is convinced that Yang Yu-ting was killed by Chang Hsueh-liang who was urged to the step by Chang Tso-hsiang because the rapidly growing power of Yang Yu-ting and Chang Ying-huai threatened to replace the others. He said the pro-Japanese charge against Yang Yu-ting was false. On the contrary, Chang Tso-hsiang has always been the leader most closely in touch with the Japanese. Chang Hsueh-liang is showing the damaging effects of excessive use of opiates. Wen apparently is of the opinion that the Japanese position was strengthened by the death of Yang Yu-ting.

An amusing sidelight on Chinese psychology is furnished by a story of Wen's. The latter had tiffin with Chang Hsueh-liang the day of the killing. Two days later Chang sent for him and asked his opinion of what he had done. Wen deplored the fact that he had not been consulted before the deed and said he thought Chang had not acted wisely in killing Yang, etc. There then followed a serious discussion of a technical point of law. Chang had ordered a court martial, after the execution, and Wen, having discovered an error in the composition of the court, appears to have taken great pride in enlarging on this unhappy irregularity in court martial procedure. The law course at West Point was not wholly wasted on Cadet Wen.

6. <u>Pai Chung-hsi</u>.

As previously reported, Pai Chung-hsi has been allegedly seriously ill of tuberculosis in a local hospital. Due to this alleged illness he submitted his resignation. Press reports stated that his resignation had been accepted both by Li Tsung-jen and the Nanking Government. It now seems established that Pai's illness was partially political and that he is still in his country's service. It is strongly suspected that Pai had traffic with Yang Yu-ting, and that pending the time of the

necessary formalities to clear his name at Nanking his hospital interment was not wholly inconvenient. There is the further possibility that Yen Hsi-shan, who attained considerable honor in Nanking by his impersonal efforts at creating harmony in the Disbandment Conference, may have succeeded in effecting a curtailment of Pai's influence in this area. This too may have been a contributory cause of Pai's illness.

7. <u>The Chefoo Situation</u>.

The confusing half-bandit, half military situation in north-eastern Shantung has been covered in situation reports. As a national affair this is important only in so far as it is another of many unsolved problems which face Nanking. Due largely to the political and physical obstruction imposed by the Japanese occupation of the Tsinan-Tsingtao Railway zone, north-eastern Shantung became a refuge for numerous remnants of Chang Tsung-chang's army. Here they have lived on the country and intrigued among themselves and with their old leader. Liu Chen-nien emerged as an outstanding leader and established himself in the area about Chefoo. Liu's position has been dictated by opportunism. He adopted the nationalist flag but murdered the nationalist officials sent to circumscribe his powers. He negotiated with Nanking and Feng Yu-hsiang but doubtless continued his connections with Chang Tsung-chang and his adherents in Dairen. Finally, it appears that the latter decided to eliminate him. Several of Liu's division commanders revolted, joined with some independent units and began to close in on Chefoo. The situation at Lungkow in January necessitating the despatch of Japanese warships was incidental to the revolt against Liu.

At this time the forces allied against Liu are threatening Chefoo from the west and are reported to be near that city. The allies are now definitely identified with Chang Tsung-chang. If Chefoo falls it would not be surprising to hear that Chang Tsung-chang had returned to lead his movement to carve out an enclave in Shantung.

8. Sino-Japanese Negotiations.

Following a brief visit to Nanking, Mr. Yoshizawa, Japanese Minister, arrived at Shanghai on January 30th. Great optimism prevailed over the results accomplished in what was described as "an atmosphere of cordiality and willingness to negotiate". After the fifth meeting lasting eleven hours, February 4-5, it was announced both by Messrs. Wang and Yoshizawa that an agreement on the knotty Tsinan affair had practically been concluded. The documents were to be prepared, submitted to the two governments and an early signature was predicted. Unofficial reports agreed that the terms provided for an early withdrawal of Japanese troops from Shantung, and a joint investigation of the incident to fix the responsibility, assess losses, etc. The Central Political Council approved the terms on February 6th.

On February 8th, to the surprise of both negotiators, instructions came from Japan that the terms were not acceptable and a deadlock ensued. It is generally reported that Japan insists upon a mutual cancellation of indemnity for life and property. Wang threatened to publish some details of the negotiations but so far has desisted from this step. The negotiations remain at a deadlock. Wang has told a relative that China will not modify her demands and that the Japanese Minister is in the position of a suppliant for continuance of negotiations. Wang said, "The negotiations have broken down but not broken up".

9. Miscellaneous Notes.

The state burial of Sun Yat-sen has been postponed from March 12th to June 1st, due, it is announced, to the inability to complete the various preparations necessary for the ceremony. Technical observers are convinced that both the Chung Shan road and the tomb could easily have been completed by the date originally designated. It is a reasonable suspicion that the postponement was due to the fear of disorders from the huge crowds expected for the ceremony just prior to the opening of the party congress.

Wen Ying-hsing informs me that no serious disbandment is in progress in Manchuria. He personally saw recruiting going on in Mukden. He states that he has no hope of genuine disbandment at this time in China proper. To quote his own words, "China's trouble is that no Chinese can bring himself to work for the country instead of his own benefit".

Reuters reports that the London War Office in a written report to a member of Parliament stated that at the end of the present trooping season there would remain in China four battalions in addition to the normal three battalions. In July, 1927, the report stated there were thirteen additional battalions.

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COMMENT ON CURRENT EVENTS

February 16 - March 10, 1929

RECEIVED G-2 W. D. APR 16 1929

1. General.
2. The General Politico-Military Situation Created by the Hunan Incident.
3. The Chefoo Reactionary Movement.
4. Manchuria.
5. Chinese Eastern Railway Passes.
6. Sino-Japanese Negotiations.
7. Peking Again Senses Instability.

1. General.

During the period of almost a month covered by this report the difficulties of the Kuomintang have grown both within and without the party. The political and military clouds began to thicken as the time for the Third Party Congress approached. The reactionary escapade of Chang Tsung-chang in Shantung has received scant attention from Nanking. While of little national consequence in itself, the movement adds to Nanking's other difficulties and, if permitted to grow unmolested, may be the focal point for other reactionary malcontents at present scattered all over the country.

The really serious situation which at the moment of writing threatens to precipitate large scale civil war in the Yangtze Valley arose from an incident in Hunan, the significance of which is still not clear. An appointee of Nanking as Chairman of the Hunan Provincial Government was suddenly expelled on February 21 by a military coup d'etat conducted by nominal adherents of the Kwangsi faction. The affair was ordered by the contentious Wuhan Branch Political Council whose action, while apparently unexpected by Li Tsung-jen, was nevertheless defended by him. The military forces of the Kwangsi faction are heterogeneous and it does not now appear that the affair was so simple as a challenge to Nanking's authority by the Kwangsi leaders. Despite the active negotiations for a peaceful settlement, Chiang Kai-shek almost immediately began secret military preparations and soon ordered the mobilization of his forces

with a front against Hupeh and Hunan. All the major militarists began to prepare for eventualities. At the moment Chiang Kai-shek has withdrawn his forces from southern Shantung and northern Kiangsu and is reinforcing his front to the west. Kwangsi faction troops are moving to the Hupeh-Hunan border. Feng Yu-hsiang has occupied the area in Shantung vacated by Chiang Kai-shek, reinforced the Honan-Hupeh border, but has remained silent as to his future attitude. Thus far there has been no serious clash, but the clouds of civil war are so ominous that the Disbandment Conference has faded into obscurity.

While the Party Congress has not been postponed the situation warrants little optimism for its successful assembly. If the congress convenes it will do so in the midst of Chiang Kai-shek's military camp and its results will be less than ever a free expression of the party's will.

The Sino-Japanese negotiations have dragged on since the abrupt disagreement of February 8th, but accurate details of the informal conferences are not known to the public. At the end of the period a spirit of compromise seems to have developed on both sides. Despite the protestations of the Chinese Foreign Office to the contrary, the generally unstable internal situation in China is believed to have influenced Nanking to adopt a more reasonable tone.

2. <u>The General Politico-Military Situation Created by the Hunan Incident</u>.

As previously reported, the political complications of Nanking preceding the convening of the Party Congress were accumulating even before the sudden rise of the critical military situation. These complications were essentially an expression of the disunity and lack of harmony existing within the party. One could almost visualize a definite line of cleavage between the favored personnel holding office in the party and government in Nanking and the varied groups of the party outside the exclusive circle. These two groupings may be generally identified as the conservative "ins" who choose the status quo, and the radicals,

or "outs", who demand an opportunity for legal expression. Political theories notwithstanding, the vital difference lies in the fact that one group is in power and the other group wants to be. Whereas it is known that the radical "outs" have been striving to improve their organization and attain a military force to exert their will, no such force has definitely appeared. Feng Yu-hsiang is the hope of the opposition but Feng has hesitated to break with Nanking and declare himself.

The intricacies of the situation are not well enough known at this time to assert that the Hunan affair is the first military expression of the radical opposition, but there are many reasons to suspect that the subordinates who uprooted Chiang Kai-shek's administrative and political arrangement in the Kwangsi faction's sensitive Hunan corridor were not casually affecting a minor, local adjustment. It is difficult to fit the facts to a purely Kwangsi faction-Chiang Kai-shek break. The relationship of Li Tsung-jen, head of the Kwangsi faction, to the Wuhan Branch Political Council and to the Ho Chien-Yeh Chi military clique which affected the coup d'etat, is not clear. Some of the Hunan and Hupeh militarists who operated against Chiang Kai-shek's appointee in Changsha were not original members of the Kwangsi faction and owe a doubtful allegiance to Li Tsung-jen. A strong suspicion exists among the Chinese that the troops who threw down the gauntlet to Chiang Kai-shek were former troops of Tang Sen-chih, which are again trying to establish themselves in Hunan, probably to the embarrassment both of Li Tsung-jen and Chiang Kai-shek. Tang Sen-chih was a partisan of the more radical elements antagonistic to Chiang Kai-shek. After his expulsion in the autumn of 1927 he is reputed to have been approached by Chiang Kai-shek for reconciliation and to have been financially assisted by Chiang. However, in view of their past antagonism and their different political ideas, it is not unreasonable to suspect that Tang Sen-chih may be attempting to re-enter the arena, to assume the leadership of his erstwhile units and re-establish his control of Hunan. If he did so, he should be expected to align himself

the anti-governmental radicals. The various reasons for the foregoing suspicion are too confusing to be given in detail.

At the moment, however, superficial evidences permit the conclusion generally held and published that a break has occurred between Nanking, in effect Chiang Kai-shek, and the Kwangsi faction, in so far as it is headed by Li Tsung-jen. The latter has assumed responsibility for all that happened in Hunan, but it must be remembered that he would lose face if he denied the actions of his nominal subordinates. It would be an admission that he actually did not control the troops to which he fell heir upon the expulsion of Tang Sen-chih.

Briefly the following is the sequence of events since February 19th:

On this date the Wuhan Branch Political Council recommended to Nanking that General Lu Ti-ping, Chairman of the Hunan Provincial Committee, be dismissed for gross irregularities, including the misappropriation of revenues, and compromises with the communists. Without awaiting a reply, troops were quickly moved and on February 21st units of Yeh Chi and Ho Chien executed a coup d'etat, seized Changsha and forced Lu Ti-ping to flee. The latter personally hastened to Nanking and the remnants of his troops retired to Pinghsiang in western Kiangsi.

Immediately there was excitement in the capital. The civilian politicians interceded between Chiang Kai-shek and Li Tsung-jen; the latter then conveniently being in a foreign hospital in Shanghai. The civilians apparently urged compromise, but the President was reported to have been highly angered. Li Tsung-jen finally resigned from his position in the government. As early as February 27th, Chiang Kai-shek is reliably reported secretly to have ordered the assembly of cars on the Tientsin-Pukow Railway. By March 1, he was making other staff dispositions for military movements. Negotiations continued between Chang and Li Tsung-jen. The latter assumed responsibility for what happened in Hunan and defended

...iety of the action of the Wuhan Branch Political Council while asserting it was taken without his knowledge.

The government at Nanking continued to insist that the situation was not of such seriousness as to occasion military action. The party elders were urgent peace makers. Nevertheless by March 5th Chinese shipping on the river was actively transporting troops and Chiang Kai-shek's divisions were employing all available equipment in moving southward from southern Shantung and northern Kiangsu. A covering force is believed to have been retained on the Hwai River. From a concentration in the Nanking area organizations were being sent up river. A minor clash had taken place on the Hunan-Kiangsi border. By March 8th, information was at hand to the effect that Chiang Kai-shek was establishing a line generally along the borders facing Hupeh and Hunan and that about five divisions were moving out from concentrations at Kiukiang. Wuhan troops were occupying the Wuhsueh area and were being transported in numbers into Hunan. The Honan-Hupeh border was being somewhat reinforced both by the Kwangsi faction and Feng Yu-hsiang.

Feng's attitude is not clear. All that is known is that he has occupied the area in southern Shantung and northern Kiangsu vacated by Chiang Kai-shek. This may be by agreement or it may be that Chiang has been forced to give up his hold in that area by the necessity of concentrating his forces. It is hardly conceivable that Feng looks upon the embarrassment of the other factions with other than satisfaction. The Chinese tend to search for a clue which may fix upon Feng the responsibility for the embarrassment. It is significant that Lu Chung-lin and Feng's other subordinates have left Nanking.

The suggestion that Chiang Kai-shek seized upon the Hunan incident as a pretext for surrounding Nanking completely by his own troops preparatory to the Party Congress is worthy of consideration. I am more inclined to the belief that the Hunan incident was an indication, perhaps premature, of a larger movement which might have threatened the success

ongress and which had to be met at once. The ramifications of the movement, as previously mentioned, are yet to be disclosed, but I cannot believe that Feng Yu-hsiang and Tang Sen-chih are wholly dis-associated with the causes of the confusion on the Yangtze.

3. The Chefoo Reactionary Movement.

The relatively isolated come-back of the reactionary Chang Tsung-chang in northeastern Shantung is a minor affair as compared with the serious break among the major nationalist militarists in the Yangtze Valley. Nevertheless, even sporadic outbreaks are costly to liquidate and Nanking can ill afford to keep up military expenditures. The lack of cohesion among the nationalist military groups introduces into any operation, however limited, political considerations which are more trying to Nanking than the military ones. The actual facts disclosed by the situation at Chefoo justify endless speculation as to the real meaning of what superficially appears to be the adventure of a very picturesque ex-bandit. One does not have to follow the conventional Chinese defense in assigning to Japan responsibilities for the Shantung trouble. All the old Chinese political muddlers of the Anfu and Chihli parties are directly or indirectly involved in Chang Tsung-chang's re-entry into active affairs, and many doubtless support it financially. No nationalist leader has offered any material assistance to maintain the position of Liu Chen-nien at Chefoo. Despite Nanking's protestations to the contrary, the situation which directly and indirectly creates obstacles to Feng Yu-hsiang's complete occupation of Shantung is believed to be looked upon with at least complaisance by the other nationalist leaders.

The arrest of various reactionary ex-officials in Tientsin and the disarming of one of the old Chihli-Shantung units in Peking are evidences of a more comprehensive movement than was at first believed. Various detachments of the old Chihli-Shantung army, which nominally had been transformed into national units, deserted to Chang Tsung-chang and actually have joined him in Shantung. The previous performances of

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-Shantung armies give rise to a question as to whether the shifting of responsibility for their upkeep caused by the disaffection of these units does not strengthen rather than weaken the nationalist position. Nevertheless the "Conquest of the Northern Militarists" more and more proves to be a term which this office has always accepted with a factor of accuracy derived from familiarity with the conventional language employed by classic Chinese stage conquerors. Chinese leaders, civil and military, have ever resorted to histrionics in their public pronouncements.

On February 19th, Chang Tsung-chang, accompanied by his large staff, collected at Dairen, sailed to Lungkow and assumed personal command of his troops. There followed a little desultory fighting as he closed in on Chefoo. Announcements appeared that various of the nationalist leaders would support Liu Chen-nien but aside from a small amount of money and munitions, allegedly from Chiang Kai-shek, no assistance has been forthcoming. Chang Hsueh-liang was ordered to furnish both naval and military support but he has thus far declined to send either. There is reason to believe that the Manchurian authorities were content with Chang Tsung-chang's departure from Manchuria, if indeed they did not assist financially in expediting his plans.

Since the end of February negotiations have been in progress between Chang Tsung-chang and Liu Chen-nien which promise to result in a combination of their two forces. Liu, in a subordinate position, demands that he be permitted to remain in control of Chefoo. The operations of both contestants have been attended by the customary outrageous treatment of the inhabitants, creating suffering which can scarcely be conceived in America. No serious movements by Feng Yu-hsiang to liquidate the situation have been reliably reported nor, in view of the threatened war in the South, can they soon be expected.

...churia.

While calm, Manchuria cannot be unaffected by the increase in military activity in China proper. Recruitment rather than disbandment is in progress. The arsenals are reported to have renewed their activity. An agent believed to be reliable reports there are four infantry brigades, one cavalry brigade, and auxiliaries south of the Great Wall; that the companies are 200 strong; that the brigades are larger than the former divisions; and that recruiting is being actively pushed. There have been mobilizations reported at Mukden and Chinchow but the direction of the troop movements is not yet known. The official "leaks" suggest a movement against some indefinite danger in Jehol.

Almost as surely as the March winds dust Peking in rushing to low pressure spots somewhere to the southeast, Fengtien troops may be expected to flow southward to fill the vacuum if the storm center on the Yangtze persists. Rough Manchurian warriers harbor unsatisfied longings to quit provincial towns and enjoy the life of Peking.

5. The Chinese Eastern Railway Passes.

The persistent worming-in process of the Chinese on the Chinese Eastern Railway continues unabated. Since the Russians cannot prevent the division of revenues between themselves and the Chinese as soon as collected, they have resigned themselves to the evil necessity of accepting their share, observing the treasury empty and seeing the railway lapse into the condition of railways in China proper. In spite of the fact that no dividends are diverted to unknown bond and share-holders, the necessary replacements of equipment are neglected; the Chinese Eastern is being bled.

Mr. Raindre, a well known French banker just returned from Harbin, tells me he is confident that in a short time the Russians will lose their entire position in the railway. Asked what the Japanese attitude is toward this loss of grip of the Soviet on the railway, he said they looked upon it with disfavor for two reasons: under Chinese control the southern section of the Chinese Eastern would rapidly become a crippled, inefficient feeder to the South Manchuria line; and Japan

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relish the idea of being alone in her position as lease-holder of a railway zone in Manchuria.

6. Sino-Japanese Negotiations.

In a column and a half daily since February 8th, each of the newspapers in China has printed words which may be boiled down to the following: The deadlock in the Sino-Japanese negotiations being conducted by Messrs. Wang and Yoshizawa continues. Accurate details as to the reason for the deadlock are not known to the public.

On February 27th, the Kuo Min News Agency presented the heroic dignity and dramatic instincts of the Chinese negotiator as follows:

> "Until the Tanaka Cabinet awakens to the fact that a Sino-Japanese settlement of outstanding problems is impossible unless there is a radical change in Japan's policy towards this country, I see little hope of any satisfactory results from a resumption of conversations with Mr. Yoshizawa", Dr. Wang said.
>
> "As regards the Shantung situation, Dr. Wang pointed to a sheaf of reports which had reached him, in which grave allegations were made of Japanese connivance at and tacit support of the attempts of Chang Tsung-chang to re-establish himself in Shantung. One report states that agents of Chang Tsung-chang are being sheltered by the Japanese in Tsinan, and 20,000 plain-clothes men are being mobilized by his agents in the neighborhood of Tsinan. 'While troops of the National Government are handicapped in their freedom of movement and action against the rebels, within the Japanese railway zone rebels are freely conspiring against the Government', the report concludes."

7. Peking Again Senses Instability.

So far as security of life and property of the Chinese is concerned - and the same remark applies with obvious modifications to foreigners - the Peking-Tientsin area is perhaps more fortunate than most areas in China. This is due in large measure to the fact that the area is controlled by Yen Hsi-shan, who in spite of the revolution is known to be a moderate and humane administrator. If not interfered with by very pernicious party activities, and pressing financial demands, both beyond Yen Hsi-shan's control, the area would doubtless enjoy a high degree of contentment in spite of the economic depression.

Recent events, however, are beginning to bring to the surface some tendencies fraught with possible danger to Chinese and foreigners. The poverty caused by the removal of the capital and the general disruption of trade is widespread in the city. The poverty, if not suffering, is increased by unrelieved tax exactions. The general discontent is further aggravated by the constant interference in administrative affairs by certain members of the party locals. One moment party busy-bodies are insinuating themselves into the affairs of industrial plants, small factories, shops, and even families, and the next moment attempting to commercialize the discontent created thereby to organize agitations against the local administration. The object of this seemingly senseless activity is difficult to disclose. In general it appears to be aimed at embarrassing all authority, especially that traceable from Nanking. It seems to result from the activity of communists and those radical members of the Kuomintang subject to past or present communist influence. This ill-defined but dangerous stirring is evident all over China. Although no specific instance is known, it would not be unusual to find that these radical elements subtly employ reactionaries for their purposes, and that reactionaries sometimes join in with the radicals. Weird bed-fellows are found among Chinese oppositions.

With this sort of background one can better comprehend some of the otherwise perplexing manifestations of unrest in Peking. When the students destroy university offices and attempt other violent demonstrations, as they have done recurrently this year, there may be various causes for their action. Chinese educational cliques are full of politics, funds are misappropriated, and Chinese students conceive themselves to occupy an unduly important placein affairs. These all stir up the mob psychology of the students. It is doubtful however if their excitement would express itself in action without the ever-present fanning of the party agitator, employing purely communistic tactics.

The essential details of the strike on February 19th by the regularly paid Legation Quarter police are well known. If the strike was not actually arranged by party workers it was immediately taken over by them and turned into a movement to embarrass the foreign representatives, the Nanking Government and the local Chinese officials at the same time. It has been turned into an incident which will be monotonously employed in the press as propaganda to create a movement to effect the retrocession of the Legation Quarter to the Chinese. The radical members of the party local quickly arranged a demonstration on February 24, which was undoubtedly designed to create more sensational incidents by drawing action from foreign guards in the Legation Quarter but which happily was broken up by the local authorities. Certainly it was partly directed against the moderate authorities who are subject to the constant necessity of employing suppressive measures against the radicals.

Thus from radical manifestations planned to stir up disorders and partially to injure moderate governmental agencies, this minor economic incident has grown into an affair which will enjoy that peculiar Chinese transmutation and become a national issue which Nanking itself may be forced to adopt. The tragedy of it is that when the story of the police strike is prepared by efficient propaganda agencies for transmission abroad, the machinations of young radicals dangerous to Chinese and to foreigners may have assumed the dignity of demands for national rights brutally seized, and the West will believe the propagandists.

Meanwhile the Chinese ex-police of the Legation Quarter are becoming disillusioned with economic theories derived from Moscow and still persisting in China - and are hungry.

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COMMENT ON CURRENT EVENTS

March 11-25, 1929

RECEIVED G-2 W. D. APR 30 1929

1. General.
2. Chiang Kai-shek Versus Kwangsi Faction.
3. Attitude of Northern Militarists.
4. The Unseating of Pai Chung-hsi.
5. The Chefoo Situation.
6. Sino-Japanese Agreement.
7. The Kuomintang Party Congress.

1. General.

The preparations for civil war between Chiang Kai-shek and the Kwangsi faction over the Hunan imbroglio continued throughout the period. The northern militarists, including Feng Yu-hsiang, remained calm and viewed with remarkable detachment a conflict of interests between two southern factions. Chiang Kai-shek, who from the start adopted dictatorial and aggressive measures, at the moment appears to have encountered mounting opposition to his schemes from the party elders and bankers, and coolness from the public as well as the other militarists. The public holds peace more important than the defense of political theories, while the militarists in the North consider the President as one of themselves rather than the personification of central authority.

There is a large concentration of opposing forces along the eastern borders of H upeh and Hunan. Thus far there have been only a few small clashes but large scale operations now seem imminent. Chiang Kai-shek has definitely launched a "punitive expedition".

The Kuomintang Congress was formally convened on March 15th. It is so patently a quorum of hand-picked, right wing stool pigeons that the party as a whole views the congress with antagonism, while the public manifests no enthusiasm for its procedures. Any moral effect it might have had is negatived by the complete control exerted by the inner circle of party leaders and the intimidation imposed by Chiang Kai-shek's soldiers.

From M/A, China Report No. 7477 March 27, 1929

The mysterious conduct of Pai Chung-hsi and the status of his troops has at last been cleared up by the disappearance of the Kwangsi commander and the return of Tang Sen-chih who, with the financial assistance of Chiang Kai-shek, has resumed command of his old divisions. This typical Chinese maneuver is part of the underground campaign which has long been waged between the two southern nationalist factions.

The situation in Shantung has been quiescent since the last Comments but it now appears that the negotiations between Chang Tsung-chang and Liu Chen-nien for the turnover of Chefoo either have failed or are about to be consummated. The latest reports indicate that Chang Tsung-chang is gathering his forces for an early attempt to capture the city, probably by agreement.

Messrs. Wang and Yoshizawa on March 24th initialed an agreement for the settlement of the Tsinan affair which promises to be acceptable to both governments.

The diversion of the troops of the Nanking and Wuhan factions to the area of threatened civil war has permitted increased activity of so-called communist bands in southern Kiangsi. Alarming news of their violences in Kiangsi and their movement into Fukien has been reliably reported. Considered in connection with the general radical tendency of the opposition and the weakness of the government, these disorders, whether communistic or not, are assuming dangerous proportions. Persistent reports are current that Feng's orientation is veering toward Soviet Russia and that Russia is viewing with satisfaction the revolutionary possibilities now being offered by the generally unsettled conditions in China.

2. <u>Chiang Kai-shek Versus Kwangsi Faction</u>.

Since the last Comments the developments in the struggle between the two southern factions of the nationalist regime have been such that even though immediate civil war were averted, the rivalries and hatreds already engendered will prevent any cooperation between the factions for

a long period. Whatever eventuates from the present crisis, the southern national leadership is so definitely split that Nanking can boast in the future of being nothing more than the seat of one of the regional governments of China. Not only is the disunity of China clearly demonstrated but the Kuomintang is shown to be no longer a single party. Relatively, the northern military leaders now assume a commanding position in national affairs.

How little China changes fundamentally! With a different setting and with altered technique, Chiang Kai-shek is attempting what Wu Pei-fu vainly struggled for in 1924. Called by a different name, Chiang Kai-shek, a militarist at the head of a shadow government which he dominates but does not control, is merely launching another campaign of "unification by force". Politically, socially or economically China has not progressed to the point where unification is possible, and the individual or group attempting to force an unnatural process is doomed to failure. The Kuomintang, except for one glorious revolutionary year in which it alienated its direction to Russians, has never impressed its will except by manipulation and compromise and the employment of those moral arguments peculiarly available to opposition groups. China is not prepared to accept the foreign conception of government which Nanking would impose; neither is she ripe for unification under the modified dictatorship toward which Chiang Kai-shek has gradually been drifting.

Chiang Kai-shek has been able to move his personal armies into battle position without a mandate from the Nanking Government. Momentarily he hesitates to order the attack, lacking a formal mandate. Whereas the party congress has authorized the government to take whatever measures are necessary, the civilian leaders and party elders have thus far refused to approve an order for the punitive expedition. These latter know that the party success has not been due to such direct applications of force as Chiang Kai-shek desires. They see the menace to the party's future in renewed civil war and they sincerely hope for peace and compromise.

They would save what they can of the party even at the sacrifice of the theory of centralized authority, which they know to be illusory at this time. Chiang Kai-shek, meanwhile, has already involved himself so far that he seems forced with the choice of out and out dictatorship or such curtailment of his powers in a regional government that he ceases to be a dominant figure.

The details of the troop movements of the two contending forces are covered in Situation Report (No. 7474). Briefly the sequence of military and political events since March 10th is as follows:

Following negotiations by the party elders between Li Tsung-jen and Chiang Kai-shek, the Political Council on March 13th dismissed the three members of the Wuhan Branch Council who had ordered the Hunan coup d'etat, and white-washed Li Tsung-jen. Chiang Kai-shek personally sent a rather conciliatory message to the dismissed officials. At this time Li Chai-sum, urged by the party elders, came to Nanking, and it seemed that the affair was on its way to a settlement. Li Chai-sum attended the opening of the congress. Chiang Kai-shek, however, continued active military preparations and kept despatching his divisions by river and overland to the western borders of Kiangsi and Anhui.

Following the coup d'etat on February 21st, Wuhan troops cleared eastern Hunan of Lu Ti-ping's units and pursued them into Kiangsi. Meanwhile some troops allied with Chiang Kai-shek were being rounded up in the Changteh area by Yeh Chi. The frontiers of Hupeh and Hunan were occupied defensively as Wuhan units became available. Nanking early ordered all Wuhan troops to return to their normal areas, but the instructions were disregarded. Chiang Kai-shek became particularly incensed at Yeh Chi's continued mopping-up operations in western Hunan. The party congress on March 18th voted a resolution directing Yeh Chi to cease hostilities.

The next day Chiang Kai-shek sent a strongly worded telegram to the dismissed members of the Wuhan Branch Political Council warning

them to desist in their "revolt" against the Central Government. On March 21st he issued a long statement reviewing the whole situation and denounced the Wuhan leaders. He defended the dignity of the central authority and declared the action of his opponents to be in the nature of a rebellion. He said significantly, "If the Hunan situation admits of mediation the central government would not be a revolutionary government. Only revolutionary methods will be used to settle the question".

The same day Chiang Kai-shek ordered the arrest of Li Chai-sum despite the objections of Wu Chi-hui, Li Shih-tseng, Tsai Yuan-pei and Chang Ching-chiang, who had guaranteed Li's safety. That afternoon, however, the congress passed a motion expressing gratitude for the valuable services rendered by Chiang Kai-shek during the past three years. On March 23rd, another motion was passed giving the government full authority to handle the Hunan situation.

On about March 20th, Li Tsung-jen secretly left Shanghai and succeeded in getting to Canton. From there he proceeded to Shaochow and joined Huang Shao-hsiung. Pai Chung-hsi, who had mysteriously disappeared from the Peking-Tientsin area on about March 14th, has been "reliably" reported to be in Japan, Canton and Hankow. His whereabouts has not yet been definitely established. A circular telegram issued at Hankow March 22nd announced that Pai, Hu Tsung-tu and Hsia Wei had assumed their duties in charge of the Fourth Disbandment Headquarters. Nanking had solemnly accepted Pai's resignation the day before——due to his illness.

At this time fighting seems imminent although no major clash has taken place. Chiang Kai-shek has disposed eleven divisions in western Anhui and Kiangsi (135,000 men), apparently for offensive action. His headquarters left Nanking for the front on March 25th. The Kwangsi leaders are on the defensive with six identified divisions, total strength of about 70,000 men. Thus far, two divisions are reported to be en route to the front from Kwangtung and Kwangsi. From a purely military point of view it appears that Chiang Kai-shek should have little difficulty in

clearing Hunan and Hupeh of the Kwangsi forces. However, situations in China are never settled by combat. The unexpected factors which may be injected into this situation cannot be foreseen.

3. Attitude of Northern Militarists.

What Chiang Kai-shek announces as a punitive operation to put down rebellion against the central government the Chinese know to be simply another civil war between factions. Feng Yu-hsiang, Yen Hsi-shan and Chang Hsueh-liang have all declared their intention to support the central government. So have the Kwangsi leaders. But it should be noted that this is quite different from supporting Chiang Kai-shek, who alone conceives himself to be the unique champion of the central government. The other Chinese leaders consider that a war between rival personalities is on, and they are showing a marked disinclination to engage in it.

Most people expect Feng to take some decisive action. At this time he will probably do nothing. It is only necessary for him to conserve his strength and watch two rivals tear each other to pieces. Feng is in a technical position to adopt either side if he so desires. He has asserted his allegiance to the central government, but at the same time has urged Chiang Kai-shek to keep the peace. He disapproved of Nanking's attitude toward Wang Ching-wei but his delegates attended the congress. He resigned as Minister of War but suggested Lu Chung-lin, his subordinate, to replace him. Feng is not believed to be involved with either southern faction, and his neutrality in this fight is a sound Chinese position. The situation offers great possibilities for the emergence of the radical left wing and Feng is their military champion.

Delegates have passed between Feng and Yen and between Yen and Chang Hsueh-liang. As nearly as can be gauged, in this phase of the situation the northern leaders have established a regional balance of power and will sit tight and watch what happens to the southerners.

4. The Unseating of Pai Chung-hsi.

Following a reconciliation between Chiang Kai-shek and Tang Sen-chih, for some months there has been a secret movement among Pai Chung-hsi's troops, the majority of which were ex-Tang Sen-chih units, to revert to their old commander. Recently Li Ping-hsien was appointed field commander and Pai gradually lost control over his troops. Chiang Kai-shek's money became available to the troops whose pay was long in arrears. On March 10th, Li and the four division commanders significantly denounced the Kwangsi action in Hunan and asserted allegiance to the central Government. The mysterious series of intrigues culminating in Pai's disappearance on about March 14th, however, became understandable only upon the open declaration of allegiance to Tang Sen-chih of the two divisions near Tangshan and his assumption of command there on March 20th. The two other divisions stationed near Peking also shifted their allegiance without disorders. Thus the 50,000 Kwangsi faction troops in Hopei are now nominally subject to the orders of Nanking, and Tang Sen-chih, once the arch enemy of Chiang Kai-shek, re-emerges as his supporter.

What happened to Pai's troops has doubtless been attempted among other of Tang Sen-chih's old divisions remaining in Hunan. Chiang Kai-shek, through Lu Ti-ping, was undoubtedly supplying money and arms, and arranging for a turnover in Hunan. The Kwangsi leaders were not unaware of Chiang's manipulations. In Hunan they moved first.

5. Chefoo Situation.

Chefoo itself has remained quiet in spite of the distressing conditions all about the city caused by the occupation of Chang Tsung-chang's heterogeneous and lawless troops. While negotiations between Liu Chen-nien and Chang Tsung-chang looking to a peaceful consolidation of their forces seem to have been continuous, both sides were occupied in gathering their resources for a renewal of the fight. By March 25,

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Chang had been joined by Sun Tien-ying's troops and had proceeded to the front near Kushan to take personal command of his forces. Reports from Chefoo indicated that an attack was imminent. From the detailed information of the situation furnished by our Consul at Chefoo, it appears that Liu Chen-nien was all the time bargaining for the best terms, and the battle for the city will be so staged as to avoid the usual horrors of war and yet save faces all round.

6. Sino-Japanese Agreement.

An agreement relative to the Tsinan incident has finally been reached by the Minister of Foreign Affairs and Mr. Yoshizawa. The three documents were initialed in Shanghai on March 24th, and will doubtless be approved by the two governments at an early date.

The press reports that the principal points of the agreement are as follows:

1. After the signature of the agreement, Japanese troops shall be withdrawn from Shantung within the shortest possible period.

2. Both China and J apan agree to waive the question of which side is responsible for the Tsinan case.

3. They agree not to demand indemnity for loss caused by the incident.

4. A Sino-Japanese joint committee shall be organized in order to investigate those who were made destitute through the incident and to give them relief.

In addition, China agrees to safeguard the lives and property of Japanese residents in Shantung, and voluntarily to halt anti-Japanese activities.

Local Japanese military officials believe that the withdrawal of their troops from Shantung will begin almost immediately after the signature of the agreement.

7. The Kuomintang Party Congress.

This subject will be more fully covered in a special report.

The Congress formally opened on March 15th, with 211 delegates present. Of these it has been estimated that 80% were chosen by the

Central Executive Committee. Due to the thoroughly supervised atmosphere in which the congress assembled and to the military developments in progress, many delegates did not dare attend. With the exception of Li Chai-sum, who came to his sorrow, none of the major militarists outside the Chekiang clique was present.

The most rigid police and military precautions were enforced in Nanking. Raids were frequent on any suspected opposition gatherings. The congress was subject to intimidation at all times. The press censorship was exacting and no Chinese jounalist could report other than the official press releases. There was little chance of controversial subjects being introduced in the meetings. On March 22, some members attempted a protest against the control exerted by the present party leaders but they could get no recognition of the chair. Eleven members withdrew from the meeting, whereupon guards closed the hall and permitted no one to enter or leave.

> "At an interview granted to the Toho News Agency man, Mr. Lu Yun-chang, the spokesman of the Shantung delegation, declared that the freedom of speech had not been suppressed so much even at the congress whose members were elected through bribery during President Tsao Kun's regime. 'We tried to express ourselves several times since the opening of the Conference, in order to remind the members of how we were muzzled', Mr. Lu went on, 'but were denied, and all the proposals submitted by the Central Government were passed unconditionally. As the majority of the members of the Conference prove to be puppets dancing to the wire-pulling of the Central Government, we did not want to sit with them, and so left the Chamber'."

All party measures and controversial party questions were duly decided as desired by the Nanking leaders. Chiang Kai-shek was extolled, and the past handling of party and government matters approved. Wang Ching-wei was reprimanded, Ku Meng-yu was expelled for three years and Chen Kung-pu and Kan Lai-kuang permanently expelled from the party.

It has been announced that the election of the members of the party central committees will be held on March 26, and that Congress will adjourn on March 28. Little change is to be expected in the personnel of the party central as now constituted.

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COMMENTS ON CURRENT EVENTS

March 26-April 8, 1929

RECEIVED G-2 W. D. MAY 14 1929

1. General.
2. Nanking-Kwangsi War.
3. Attitude of the Northern Militarists.
4. Some Considerations of the Present Situation.
5. Shantung.
6. Sino-Japanese Agreement Signed.
7. The Radical Opposition
8. Manchurian Notes.

1. General.

Hankow was captured and the Kwangsi faction forces dispersed by the Nanking armies in a rapid and almost bloodless campaign. Following very decisive measures by Chiang Kai-shek, the Nanking forces completed their mobilization with despatch along the Anhui-Kiangsi border disposed to make their main effort toward Hankow by the north bank of the Yangtze. The order for the attack was issued on March 27th. There followed a telegraphic propaganda battle, the usual negotiations involving large sums of money, and a rapid and orderly advance of Chiang's troops which encountered no resistance. Feng Yu-hsiang declared for the Central Government and sent a detachment southward along the Kin-Han railway. In Kwangtung the adherents of Chiang Kai-shek effectively neutralized Kwangsi efforts to reinforce their troops in Hunan and even forced Kwangsi units to withdraw up the West River.

The leaderless Kwangsi forces fell back before the government troops. Several of their nominal adherents declared for the government. A defensive line prepared close to Hankow gave way without a fight on April 4th, when a Kwangsi brigade commander permitted an enveloping force to enter from the north. This precipitated a general retreat, and government troops entered Hankow the next day. Those Kwangsi units which did not turn over retreated with little disorder up river.

The Kuomintang Congress closed on March 28th after dutifully having passed all measures proposed by the present party leaders.

From M/A, China Report No. 7488 April 11, 1929

the new Central Executive Committee and Supervisory Committee consist of all the present leaders except those left wing and Kwangsi faction members who were expelled from the party. While the congress was in no sense representative of the party but was chosen by the party leaders, and conducted like a puppet play while in session, the perfect management of the whole affair shows the high degree of executive efficiency attained by the right wing leaders. No other group in China is comparable in experience or ability to those at Nanking in the administration of party affairs. No other leader has been as successful as Chiang Kai-shek in harmonizing discordant elements and in gloving a mailed fist.

In Shantung, the spectacle of brutal reaction under Chang Tsung-chang continues on an even larger scale due principally to the fact that it is a mere side play to larger internal politics. It is viewed complacently, if not actually encouraged, by some of the major actors. Chefoo fell on March 27th, and is now being bled. Chang Tsung-chang announces plans for seizing Tsinan and Tsingtao upon the evacuation of the Japanese. This can easily be prevented either by Feng Yu-hsiang or C hiang Kai-shek, but the present indications are that peace in the province will be delayed because of the intrigues of each to maintain a footing there.

Order has been maintained in the North during the war on the Yangtze. Feng has accepted money from Nanking and has maneuvered his troops so as to assist or threaten Chiang Kai-shek at Hankow. Nobody but Feng knows what is in his mind. There can be no sense of security in China until Feng Yu-hsiang is eliminated. His present failure to take decisive action is believed to be imposed by the watchful attitude and preparedness of Chang Hsueh-liang and Yen Hsi-shan who seem disposed to protect Chiang Kai-shek's interests.

The Sino-Japanese settlement of the Tsinan incident was signed at Nanking on March 28th. Both China and Japan agreed to terms which they had categorically refused to concede earlier in the negotiations and both seemed relieved to end the impasse by an agreement the published terms of which are analogous to a wet sponge on a slate. The Japanese troops will evacuate Shantung almost immediately.

2. Nanking-Kwangsi War.

As shown in the last Comments, the preparations of Chiang Kai-shek to effect a military show-down with the Kwangsi leaders began almost immediately after the affair at Changsha on February 21st, and were continuous and expeditious. Despite the propaganda from Nanking designed to prove the Wuhan commanders to be the aggressors and despite the pretense of negotiating for a peaceful settlement with Li Tsung-jen and Li Chi-sen, Chiang proceeded rapidly with his mobilization. The Kwangsi faction leaders had undoubtedly been truculent with Nanking in many instances. They withheld all revenues and did not even pretend to carry out Nanking's mandates. They drove out Nanking's appointees because the latter were engaged in intrigues to undermine Kwangsi influence in Hunan. Technically they were rebels against Nanking. From a practical Chinese political point of view they were a rival faction to Chiang Kai-shek and the Canton clique, and were attempting to enlarge their control so as to challenge Chiang's position in the government.

Having mobilized twelve divisions in the zone of operations with an absence of confusion indicating a degree of staff organization unusual in China, Chiang obtained authority from the party congress on March 23rd to handle the situation as the government saw fit. On March 27th, the order for the attack was issued. Six divisions under Liu Hsih made the main effort, advancing on Hankow along the north bank of the Yangtze. Chu Pei-teh with six divisions widely distributed along

the western border of Kiangsi, moved into Hupeh and Hunan and guarded the south flank against possible Kwangsi reinforcements from Kwangtung and Kwangsi. As always, Feng Yu-hsiang's attitude was in doubt. Nevertheless, his subordinate, Han Fu-chu, was ordered to advance on Hankow by the Kin-Han railway. Feng mobilized about five (and later seven) divisions in southern Honan under Han Fu-chu's command, and declared his adherence to the Central Government.

The national navy, employing about 18 gunboats, operated in conjunction with the main effort. Chiang Kai-shek personally proceeded to the front on Ma rch 29th. The advance was a mere march. The Wuhan forces consisted of about five divisions on the north bank of the Yangtze. Everywhere they withdrew without fighting. A defensive line was constructed extending from Yanglo on the river northwest to the Kin-Han railway near Hwangpei, and for awhile it seemed that a fight was expected here. By April 1st this line had been reached at Yanglo and the government forces were conducting a wide enveloping movement from the north. Han Fu-chu's Kuominchun advance elements remained out of the maneuver and observed from the Kin-Han. Feng's attitude as usual was cryptic.

The customary sordid Chinese negotiations were in progress and some of the Wuhan troops were known to have wavered in their allegiance. On April 4th a brigade commander at Hwangpei permitted the Nanking 13th Division to march through the defense line and the whole Wuhan army began retreating up river past Hankow. The next day Nanking troops occupied the city and order was restored. C hiang Kai-shek was received with acclaim on March 6th. According to the latest reports, the Kwangsi faction troops which did not declare for Nanking are retiring without resistance into western Hupeh and Hunan. The fleet captured Yochow on March 8th.

Chu Pei-teh intercepted the line of retreat in Hunan. The invasion of southern Kiangsi from Kwangtung failed to materizlize except

for one division which entered the province. The Kwangsi forces in occupation of Kwangtung under Li Chi-sen and Huang Shao-hsiung were balanced by those of Chen Ming-shu and Chen Chi-tang. Upon the movement of Kwangsi units to the north of Canton, the rest of Kwangtung, by realignment of commanders, went over to Chiang Kai-shek.

The Kwangsi faction debacle seems to have been caused by poor leadership and faulty estimation of each political and military situation which arose. Chiang Kai-shek and the Canton clique after a long series of intrigues proceeded with speed and decision to the attack from the date of the coup d'etat at Changsha. Their military preparations should have belied their pretenses at negotiating for a peaceful settlement. The principal Kwangsi lea ders all permitted themselves to be caught off base. Li Tsung-jen did not reach Hankow to steady his wavering adherents; Pai Tsung-hsi has not yet been reported to have reached Kwangsi territory; and Li Chi-sen permitted himself to be lured to Nanking where he was arrested. His presence in Canton may have resulted in a totally different line-up in Kwangtung. He has been reported shot. This has been officially denied by Nanking, but the circumstances and mystery of his whereabouts create considerable doubt as to the truth of the official spokesman.

3. <u>Attitude of the Northern Militarists</u>.

In every major military and political situation the question arises, "What will Feng Yu-hsiang do?" His attitude never ceases to be cryptic and his actions always are half-measures. Before becoming thoroughly involved in the advance on Hankow, Chiang Kai-shek had definite assurances that Feng would assist the government. This declaration doubtless cost Chiang promises of future rewards and certainly a liberal and immediate money contribution. Han Fu-chu's troops advanced along the Kin-Han reserving his resources of men and ammunition. Arriving just north of Hankow, without ever being involved, with seven divisions

behind him he constituted a possible threat to Chiang Kai-shek, despite official statements to the contrary. To rid Hupeh of Feng's troops will probably cost Chiang Kai-shek an embarrassing amount. One cannot but suspect that Feng is often a huge humbug——he simply commercializes his threats. He augments the resources of his poor provinces by blackmailing Nanking. He stands in an excellent position to demand Shantung without strings attached.

Chiang Kai-shek is no mean dealer himself. Both Yen Hsi-shan and Chang Hsueh-liang seem genuinely to play in with Chiang personally and to favor the maintenance of a central government, provided it does not attempt to bear too heavily on the principle of local autonomy. If Feng becomes too importunate, it is believed that Chiang Kai-shek can depend upon his two northern allies to bestir themselves in his behalf. The threat from the north to Feng is the more certain due to the mistrust, if not hatred, generally entertained toward him by other militarists.

In the past week, Taiyuanfu has been the mecca for large delegations both from Chang Hsueh-liang and Feng Yu-hsiang. The general impression among the Chinese is that Yen and Chang Hsueh-liang are busily checkmating Feng. Feng is shrewdly attempting to allay their suspicions as to his motives while continuing to bleed Nanking. There is no doubt that peace in North China is being maintained by slender threads and that unity is a frail creature necessitating constant nourishment.

In a recent conversation with Shang Chen, Yen's Second-in-Command and Chairman of the Hopei Committee, he spoke with grave misgivings of the general situation. Usually cautious and loath to express other than optimism of the situation, he several times prefaced his remarks by saying, "If Feng and Chiang fight, then.... etc., etc."

While Hopei is quiet and excellent order is being maintained, confusing undercurrents are sensed among the heterogeneous troops still

remaining in this area. Liu Chen-hua, a subordinate of Feng Yu-hsiang stationed between Peking and Tientsin, has orders from Feng to proceed to southern Honan, but finds difficulty in procuring railway equipment to move. Unwelcome in this area, it yet seems that his rejoining Feng is being obstructed. Fang Chen-wu, nominally Chiang Kai-shek's man but suspected of having leanings toward Feng, is actually moving from the area northeast of Peking toward Shantung. Tang Sen-chih, who recently regained command of the ex-Pai Chung-hsi divisions at Tangshan, is viewed with suspicion by Chang Hsueh-liang who has reinforced his troops in the Shanhaikuan area and otherwise shows unusual military activity. Chiang Kai-shek has separated the other two divisions of old Pai Chung-hsi troops near Peking from Tang Sen-chih and gradually is re-organizing them under a more dependable commander.

The only plausible interpretation of these confusing details is that they seem to be parts of a widespread plan to encompass the isolation of Feng Yu-hsiang.

4. Some Considerations of the Present Situation.

An observer's task is simplified in reporting the present situation by discussing it in terms of a clash of political theories. If Chiang Kai-shek were the defender of centralized authority and the Kwangsi faction the rebellious exponents of local autonomy——states rights, to employ a familiar American expression——then the situation would be stripped to the bone and easily comprehended anywhere. Likewise sympathy would immediately be enlisted pro and con, and the mass of sympathy would doubtless be placed upon the side of centralized authority. A few observers already have avoided a wearisome, if not impossible, analysis of the intricate factors in the situation by explaining it away in its most superficial aspects. The experienced leaders at Nanking and their clever propagandists likewise have built up a most plausible case in which the established government has defended a sound and popular theory of government against the machinations of a clique bent on destructive activities.

According to the official propagandists the rapid and brilliant politico-military victories of Chiang Kai-shek are victorious for the cause of unity and centralized authority versus individualism and regional military autonomy. Temporarily, the effects of Chiang Kai-shek's decision and bold handling of the situation will tend to bear out the argument of the propagandists. But the propaganda will not obscure the facts to the Chinese people. To them Chiang Kai-shek initiated a civil war at a time when civil war was the one thing to be avoided. Money has been spent with abandon---allegiances have been purchased. The costly campaign delays reconstruction and endangers civil control in the government. Chiang Kai-shek has arrogated to himself powers superior to the party, and as the dust clears will be seen to emerge more clearly defined as the dictator of a regional government. The moral influence of Nanking, which alone qualified it to boast of being the central government, will have been sacrificed to insure the success of a campaign of the leading militarist and the highly selective Canton clique.

What are the underlying facts? Canton for years has suffered from the recurrent domination of the Kwangsi militarists. Taking advantage of the political instability and military weakness of the Cantonese, Kwangsi troops traditionally have occupied Kwangtung and seized the revenues of Canton. The hatred of the Cantonese for the leaders of Kwangsi is long-standing. It was in abeyance but not eliminated by the recent revolutionary successes. The martial qualities of the Kwangsiites contributed greatly to nationalist victories and the Cantonese could not unburden their province of their potent allies. Later the Kwangsi leaders fell heir to Hupeh and Hunan. The revenues collected never went to Nanking---even those obtained in the home of the revolution.

Once settled in Nanking, the ceaselessly scheming Cantonese began to accomplish the downfall of the Kwangsi clique. Chiang Kai-shek, neither a Cantonese nor a member of the Western Chekiang clique which

includes some of the most influential party elders, has been most closely affiliated with the Canton clique. Cooperating with them, he has nimbly employed and been employed by both right and left wings of the clique. It is the right wing of the Canton clique, now in the ascendancy at Nanking, which has engineered together with Chiang Kai-shek the series of intrigues to weaken the Kwangsi faction, and which finally supported a war to give them the final blow. Fundamentally, the succession of events leading up to the war in the Yangtze Valley constituted a settling, momentarily, of accounts between the Cantonese and their enemies, the Kwangsi-ites. The whole affair has only superficial relationship with national policies. The political theories so glibly being employed by propagandists is largely dust intended for eyes of foreigners and the uninformed Chinese public.

The fight has thus far been isolated in the south for the reason that it is not conceived to be a national matter——it is a southern inter-factional strife whose real causes are to be found in the Kwang provinces. The northern leaders have strictly kept hands off a regional affair, except in so far as Feng Yu-hsiang has moved closely to the scene prepared to pick up advantages by his large-scale blackmail tactics. It is highly questionable if in their hearts the northern military leaders would not view with apprehension the complete collapse of healthy opposition to Chiang Kai-shek and the Cantonese in the South. Their own positions in this case would be insecure. What offenses against centralization of authority are the Kwangsi faction guilty of in Hupeh and Hunan that Feng Yu-hsiang, Yen Hsi-shan and Chang Hsueh-liang are not equally guilty of in their respective areas?

So far as can be observed, this holy war for defending an unassailable principle of government was desired and supported only by the right wing Canton clique and Chiang Kai-shek. Incidentally the left wing Cantonese opposition are perforce silent regarding an attack on the

hated Kwangsi-ites. The Chinese people generally have shown no enthusiasm to defend the announced principles involved; they simply deplore civil war from whatever cause and know that they must pay the costs. The old party leaders and the non-Cantonese civilians in the government were averse to the war. They see delayed their schemes of reconstruction; they see Chiang Kai-shek, the militarist, departing upon grandiose schemes of unification by force; they see civil war which may have only begun with the fall of Hankow; they see dwindling the moral influence of the party so laboriously built up among the northern leaders.

Once the fiction of unity was disregarded by the launching of civil war, under whatever provocation, the patriotic civilian element at Nanking was faced with lessened powers. The victory at Hankow, even though it brings the revenues of Hupeh and Hunan under Nanking's control, is more of a personal victory for Chiang Kai-shek than a political victory for the government. Chiang Kai-shek already has over-ridden civil authority and has expended huge sums of money in purchasing very dubious allegiance to his cause. The cost of civil war has yet to be faced and therein lies grave danger to the government.

5. Shantung.

Chefoo was occupied by Chang Tsung-chang on March 27th, and Liu Chen-nien retired to Muping (Ninghai) where he was besieged by troops under Chu Yu-pu. Severe fighting has been reported but all attempts to capture the city have thus far been unsuccessful. Chang Tsung-chang announced that he would be prepared to take over Tsinanfu and Tsingtao upon their evacuation by the Japanese. Meanwhile he is intensively bleeding Chefoo of all available revenues. He is attempting to seize salt revenues in foreign banks, and has rifled the vaults of two of the Chinese banks.

Chang Tsung-chang's adventure in Shantung, with all of its attendant misfortunes for the people, is complicated by various factors

of which the Japanese occupancy of the railway zone is the least important. The political rivalry between Chiang Kai-shek and Feng-Yu-hsiang for the control of Shantung is responsible for most of the indecision and inactivity which permit the chaos to continue. Either one of the leaders if freed from the jealousy and intrigue surrounding the whole matter and given a definite mandate to clear the province, could do so in short order. The military operation, with government support, would be simple; the economic problem of absorbing the mass of disorganized soldiery which has been dammed up in the peninsula is impossible without complete and continued authority. This Nanking seems indisposed to grant. At present Feng Yu-hsiang seems to be proceeding with plans for the military occupation of Eastern Shantung upon the departure of the Japanese troops. C hiang Kai-shek, however, also is sending troops from Hopei to operate against Chang Tsung-chang and is buying up some of the irregular units formerly adherents of Chang.

On April 2nd, the Chinese commission to make plans for taking over the railway zone arrived in Tsinanfu. Y. L. Tang, Vice-Minister of Foreign Affairs and brother-in-law of Feng Yu-hsiang, has been appointed chief delegate of the commission. The Japanese are preparing to evacuate their troops promptly and are urging the Chinese to hasten their plans to safeguard the zone as the Japanese units withdraw. The internal friction has confused the situation and left the Chinese unprepared to insure lack of disorders during the rendition.

6. Sino-Japanese Agreement Signed.

After numerous delays the agreement for the settlement of the Tsinan affair was formally signed at Nanking on Ma rch 28th. The document as made public giving the terms of the settlement is an innocuous wash-out of all the demands formerly insisted upon by both Japan and China (see Report No. 7485). Japan came out of the affair with no enhanced dignity. It appears that the effectiveness of the boycott was

largely responsible for China's diplomatic victory.

The following strictly confidential information is quoted from a Chinese source in Nanking close to C. T. Wang and is believed to be reliable:

> "It is reported in authoritative sources here that the settlement of the Tsinan incident on ridiculously simple terms was the result of a deal between Feng and Kai-shek. Kai-shek refused to give Hankow to Feng and promised him Shantung and a lot of cash in addition, instead. Feng said he would only take Shantung if the Tsinan incident could be settled immediately. C. T. was instructed by Ka i-shek to settle the incident although the terms were very unfavorable to the Chinese."

The negotiators state that the terms of settlement of the Nanking and Hankow incidents have practically been reached, but that the completion of the agreements is being delayed by the sickness of one of the Chinese negotiators.

7. <u>The Radical Opposition</u>.

Prior to the convening of the party congress, an ominous cloud on the horizon was the increasing radical opposition. From all over China came news of the left wing and communist stirrings and locally one sensed the existence of very disturbing radical undercurrents. At the time of writing there is almost a complete absence of such news. However it would be faulty to assume that radical activities have lessened. News space has been monopolized largely by articles dealing with the congress and the preparations for war. Also very effective repressive measures were instituted by Nanking in order to create a seemingly harmonious setting for the congress. Political gatherings were everywhere forbidden, and possible demonstrations immediately dispersed by the authorities. The native press has been most rigidly censored to prevent the dissemination of news unfavorable to the government.

The events of the past month would seem to have added greatly to the material available for the attack of the opposition. The civil strife furnishes a favorable diversion in the midst of which its organization can be improved. It may be expected in the near future that much

pertinent criticism will be levelled at Nanking for the method of hand-picking the party congress, for the complete stage management and intimidation of the congress, and for the responsibility for the renewed civil war.

8. Manchurian Notes.

Chang Hsueh-liang has recently issued orders for the confiscation of the property of Chang Tsung-chang, Chu Yu-pu and Sun Chuan-fang in all of the Three Eastern Provinces. His other actions indicate that whatever his previous attitude may have been toward Chang Tsung-chang, he is now definitely disassociated from the venture.

Soviet Consul-General Melnikoff visited Mukden and attempted to enter into negotiations with the Fengtien authorities at the end of March, presumably regarding questions relating to the status of Russians in the Chinese Eastern Railway Zone. I am informed that Chang Hsueh-liang refused to see him and that he was otherwise treated with disrespect by the Mukden officials.

Representatives of Chang Hsueh-liang have been purchasing numbers of second-hand motor cars in Peking and Tientsin for shipment to Manchuria. Twelve new French tanks, type unknown, have been received in Mukden. Fengtien troops inside the Wall have been slightly reinforced. In general, Chang Hsueh-liang has made a display of military activity for the purpose, it is believed, of strengthening Chiang Kai-shek's hand vis-a-vis Feng Yu-hsiang.

NOTE: After typing the foregoing report the following confidential notes have come to hand from a reliable Chinese source in Nanking:

> "T. V. Soong told Kai-shek that he, T.V., would retire when the war with the Kwangsi clique is over. Chen Ching-tao, a Feng nominee, will probably succeed T.V. Of course T. V. may change his mind and stay."
>
> "The Administrative Yuan has issued a circular order dated March 22 to all ministries stating that payment of administrative expenses of all members would be suspended. The money being used for military expenses.

"Upon receipt of this order, C. T. Wang immediately had a conference with T. V. Soong. The result was that the Foreign Office would receive $50,000 for its March expenses. The regular expenses of the Foreign Office amount to $250,000 monthly. Of this $50,000, $30,000 will be used for maintenance of consulates and legations abroad and $20,000 for the Ministry itself. You can see how desperate the situation is. The Foreign Office had already an overdraft of $50,000 in the Central Bank. Y. L. Tong borrowed $5,000 on his own hook from the Shanghai Commercial & Savings Bank, but that cannot help matters much."

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COMMENTS ON CURRENT EVENTS

April 9 - 22, 1929

1. General.
2. Chiang Kai-shek Feels His Power.
3. The Situation in Hupeh.
4. Chiang - Feng Relations.
5. Shantung.
6. Miscellaneous Notes.

RECEIVED G-2 W. D. MAY 27 1929

1. General.

The observer in China lives in constant hope or expectancy that the present confusion will be cleared by a decisive eventuality which always seems to loom in the offing. The decisive eventuality never arrives. The dispersion of the Kwangsi faction forces clarified nothing, solved nothing; rather it created a setting for future developments more perplexing than the present situation.

The Kwangsi faction military cohesion had been undermined before Chiang Kai-shek launched his attack on Hankow. Of those units which had not declared for Nanking before Hankow fell, some went over at that time and the rest retreated either toward Ichang or made for Kwangsi as best they could through western Hunan. Of the latter nothing is known; the former have been surrounded near Ichang by divisions which pursued them and by Szechwan troops of Liu Hsiang which came down river to meet them.

Chiang Kai-shek has been engaged in the mopping-up of Hupeh and northern Hunan, but even more so with the organization of the civil and financial administration of the acquired area. Especially in starting the flow of revenues, the experience of the Nanking personnel shows up markedly. The Kwangsi leaders, formerly troublesome and truculent rivals within the government, are now out and out enemies of Chiang Kai-shek. What they may be able to do in Kwangsi and Kwangtung in creating an autonomous area remains to be seen. Chiang Kai-shek must for a time let Kwangtung shift for itself while he irons out the

more immediately critical problem of settling with Feng Yu-hsiang both in Hupeh and Shantung.

Too few facts are known to disclose the real relationship between Chiang and Feng. Their main forces, superficially allies, now actually face each other to the north of Hankow while their secondary forces are converging on the railway zone of Shantung, soon to be evacuated by the Japanese. The most perplexing political battle is being waged over this area. At the time of writing, Feng Yu-hsiang finds it advisable publicly to assert his subordination to Nanking with a degree of insistence which casts doubt upon his genuineness. Feng has undoubtedly been ill. Fate has prevented his snatching the opportunity of crippling Chiang Kai-shek at Hankow, assuming he had desired to. Chiang, on the other hand, has not been slow to take advantage of Feng's incapacity, and seems bent upon disregarding him in the most high-handed fashion. Indeed it appears that Chiang deliberately tried to goad Feng into armed resistance in order to force a decision at so favorable a time. The mighty Feng seems to be accepting every indignity with hands down. Aside from his possible lack of decision due to physical illness, he is ringed-in with rivals who at this time are all allied against him. Besides, Chiang Kai-shek has not run his full dictatorial tether and the cause of the opposition is not yet ripe for adoption by the cautious Feng.

In Shantung the causeless adventure of Chang Tsung-chang seems to be approaching its end due to the gradual alienation of his nondescript allies. His elimination awaits only the solution of the important matter of taking over of the railway zone by any accredited nationalist organization. The details of the internal squabble between Chiang Kai-shek and Feng Yu-hsiang over the administration of Shantung will never be known, but it cannot be overlooked that the Japanese were requested by Nanking to delay the departure of their expeditionary

force to provide time for internal adjustments which have nothing to do with straightforward policies of a unified national government. One cannot view the machinations surrounding the Shantung matter and consistently accept the assertions of patriotic, impersonal motives of China's outstanding leaders any more than one can accept their protestations of harmony.

2. Chiang Kai-shek Feels His Power.

Chiang Kai-shek proceeds along his dictatorial path. Could it be otherwise with any leader who finds himself at the head of a government in China? He has proved himself to be greatly superior to the men about him. He has decision, moves rapidly, and shows signs of genius in that he sometimes adopts a line of action——and succeeds—— when a careful estimate of the situation would dictate otherwise. He has arrived at his present position by shrewd politics rather than by blunt military force. He is a great harmonizer and has a marvelous facility for shifting his position so as to enlist the support of whichever clique or faction is needed for the moment. Having reached a position of power by flexible and varied accomplishments, he is faced with the choice of forging ahead by the adopting of forceful, arbitrary methods or the acceptance of futility by keeping up the pretense of party government when, in fact, the party is broken up into a dozen cliques. Can this man conscious of his power (however transient) voluntarily permit himself to be rendered innocuous by a lot of bickering lesser men?

Chiang Kai-shek used velvet gloves to assemble his congress; his soldiers, literally with cocked Mausers, manned the doors of the congress hall throughout every session. Nanking and the National Government became his and continue to be his by virtue of his conventional dictatorial tactics. His language to the Kwangsi leaders and his more recent positive manner with Feng Yu-hsiang manifest a growing

consciousness of personal power. An increasingly rigid censorship of the press, amounting to suppression of all news unfavorable to himself, is further evidence of the dictator mentality. The suppression of public gatherings and political meetings of oppositionists continue wherever his authority holds. The old weapons and policies by which the Kuomintang rose are shelved. This phase of the revolution is dead.

The signs are favorable that Chiang Kai-shek has yet a period to run before the opposition——of every nature——engulfs him. The glory of the ensuing months, if such there be, should be recognized as the glory of Chiang Kai-shek and not the glory of the national government as an expression of the will of the people of China.

3. <u>The Situation in Hupeh</u>.

Immediately upon the arrival of Chiang Kai-shek in Hankow on April 6th, he began the organization of the temporary military government, and sent several of his best divisions in pursuit of those enemy forces which did not change their allegiance. The various divisions and parts of divisions in the latter category were assigned provisional designations and, in some cases, new commanders, and their transformation into government units was begun.

The reorganization of the civil government was undertaken at once. During all of this time excellent order was maintained in Hankow and the whole procedure of the government officials was marked by ability gained from frequent experience in taking over new areas during the past few years. T. V. Soong with a team of financial organizers arrived on April 11th. There was some uncertainty occasioned by the presence some 50 miles to the north of Hankow of Han Fu Chu's Kuominchun expedition whose attitude was not known. Despite the public announcements of perfect harmony and cooperation by both Chiang Kai-shek and Feng Yu-hsiang, there remained suspicion and doubt in the minds of all the leaders. Accurate information as to the negotiations which followed

will never be known. The Chinese believe that Feng was bargaining not only for a clear title to Shantung but also to place some of his close adherents in the Hupeh government. After the atmosphere of rumors and reports had cleared, it became known that the key positions, military and civil, in Hupeh had been given to Chiang's adherents. Nevertheless, some six divisions of Feng's troops still remain in or near Hupeh. The main forces of Chiang and Feng may be said to be facing each other in Hupeh. Feng categorically denies that he has assumed any political or military position not in harmony with Nanking's orders. The latter statements cannot be true in toto; it remains to be seen if they are generally true in spirit.

On April 15th, the Central Executive Committee abolished the whole party organization of Hupeh since it had been dominated by adherents of the Kwangsi faction. A new committee in harmony with the party central was appointed to conduct a complete re-registration of members and reorganization of the provincial chapters. Thus is the will of the party expressed.

The Hupeh recalcitrants, Hu Tsung-to, Tao Chun and Hsia Wei, retreated up river into the area between Shasi and Ichang. Here they have been engaged in fighting, both with the divisions in pursuit and with some troops of Liu Hsiang despatched from Szechwan. At this time they are reported to be surrounded and negotiating for terms of surrender. The real Kwangsi troops under Yeh Chi, more or less scattered, have moved into western Hunan and are making for their home province avoiding the forces of Ho Chien which hold Changsha and central Hunan.

The Kwangsi leaders, Li Tsung-jen, Pai Chung-hsi and Huang Shao-hsiung are all in Kwangsi and are believed to be actively preparing for resistance in southern Hunan, and probably for offensive measures to retake Kwangtung. The following statement from the Kuo Wen News Agency is probably correct:

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"General Huang Shao-hsiung, chairman of the Kwangsi provincial government, told a Kwangtung peace delegate the other day that he will obey the Kuomintang government, but he will fight against General Chiang Kai-shih even if he loses everyone of his men. Kwangtung was much alarmed by General Huang's opposition to General Chiang."

Chiang Kai-shek's adherents in Kwangtung are none too strong against the reorganized Kwangsi armies and Chiang's ability to divert divisions in defense of the province depends largely upon the attitude of Feng Yu-hsiang.

4. Chiang - Feng Relations.

The most important factor in the immediate situation in China is the real relationship between Feng Yu-hsiang and Chiang Kai-shek. Upon this depends the developments in the near future. The optimists who accept the literal statements of the leaders say that both are working harmoniously and impersonally for the central government. Assuming these statements to be true, the very zeal with which each seeks the welfare of the government would prevent any permanent cooperation on their part. These two men, so different in their methods and points of view, conceive a central authority of such contrasting aims that inevitably they must become the active defenders of opposed faiths. In China today it is futile to expect such differences to be composed by an appeal other than to arms.

In the past few weeks, Feng, due to physical illness or other reasons known only to himself, has accepted with ominous meekness some rather face-destroying actions of C hiang Kai-shek. Feng has been completely neglected in the reorganization of Hupeh. In Shantung, generally assumed to have been promised to Feng, Tsingtao has been declared a Special Municipality, thus placing it directly under Nanking and depriving Feng of his long cherished port. Chiang has moved troops under Chen Tiao-yao into southern Shantung in a way that was generally considered to be menacing. His various organizations in the Peking-Tientsin area

are being shifted into northern Shantung as if to pinch out Feng's control in the central part of the province. Feng's subordinates who were prepared to take over Tsinan were ordered by Nanking to withdraw, and Japan was urged to postpone the evacuation of her troops. The circumstances were such as to create the general belief that the maneuver was designed to give Chiang Kai-shek time to negative Feng's control over Shantung.

Feng's replies to these acts have been a more vehement declaration of allegiance to Nanking, a denial of charges of communist leanings, and repeated assertions of his harmony with Chiang Kai-shek. Not so Chiang Kai-shek. He has of late been notably silent regarding any appreciation of Feng's sentiments. He no more adopts the attitude toward other leaders of equals all working for the same cause. Upon various occasions he has intimated that other militarists than the Kwangsi leaders need to be scotched. There is little doubt that he is preparing his case and that Feng is the next objective. The following Kuo Wen article is pertinent:

> "Nanking, Apr. 11.-- Commenting on the recent political situation the Ching Pao, which is generally regarded as the mouthpiece of General Chiang Kai-shih, says editorially that all the national leaders should abandon the idea of nominal national unification. The authority of the central government should not be sacrificed for the sake of securing a patched-up peace. 'It is true that we have overthrown the old militarists but we must be on constant guard against the rise of new militarists. The Kwangsi faction has been overthrown but we must make a determination that any one who wants to take its place should be exterminated. Real peace and unification must be fought for' concludes the editorial."

It has recently appeared that Chiang Kai-shek has recognized the time as opportune for forcing an issue with Feng and maneuvering him into a position where he must fight. It is not improbable that Feng's illness has been considered in Nanking. The Kuominchun, a powerful military force, is nevertheless a one-man show, and a sick leader lacks decision. Feng fends and retires. Chiang is so mobilized that

he could easily advance up the Kin-Han, and the two northern leaders, Yen and Chang Hsueh-liang, are friendly with Chiang Kai-shek.

If Feng ever emerges to demand a decision he probably feels that he must wait until the inevitable Chinese reaction sets in against an aspiring dictator who looms uncomfortably great. At that time the awakened political consciousness which made Chiang Kai-shek will turn against him, and the other militarists will begin to look afield for safeguarding alliances——even to the despised Feng Yu-hsiang. The wheel never ceases to revolve in China.

5. Shantung.

Following the signature of the Sino-Japanese agreement for the settlement of the Tsinan incident the Japanese Government announced plans for a hasty evacuation of their expedition, to begin on April 18. It had been arranged that General Sun Liang-cheng, Chairman of the Shantung Provincial Government, would send detachments of his troops (Kuominchun) into Tsinanfu on the 16th prepared to assume responsibility upon the Japanese withdrawal. A brigade of the 22nd Division had been moved to Tangchiaochuang, just south of Tsinanfu, for that purpose and other of Feng's units were designated to follow. On April 13th, Cheng Hsin-ming, Commander of the 22nd Division, assumed office at Taian as Commander-in-Chief of the Precautionary Force at Tsinan, and officially so notified the foreign consuls.

To the apparent surprise of all the Chinese and Japanese officials on the spot, on or about April 15th instructions were received by Sun Liang-cheng from the National Government to stop the despatch of the 22nd Division which was scheduled to enter Tsinanfu on the 16th. On the 17th the Japanese Government ordered the postponement of the evacuation of their troops, announcing as the reason a request by the Nanking Government for a postponement. It was further announced, however,

that the evacuation would be carried out within two months as provided in the agreement. So far as is known, no definite instructions have yet been issued by Nanking for taking over the responsibility for the security of the railway zone.

The general opinion is that this humiliating development is a move in the Chinese political game for preventing Feng Yu-hsiang from gaining control of Shantung. As if fearing that Feng's authorities might disregard Nanking's order, some 20,000 troops under Chen Tiao-yuan were pushed north from Hsuchowfu as far as Tenghsien. It appeared for a time as if there might be an open clash between the subordinates of Chiang Kai-shek and Feng, but the latter meekly obeyed orders from Nanking.

It appears that Chiang Kai-shek contemplated employing the troops of Fang Chen-wu to garrison the railway zone. These troops are now moving from the area northeast of Peking into the Techow-Pingyuan-Yucheng area. However, in view of the fact that these units were largely responsible for the Tsinan incident, the Japanese authorities are believed to be offering objections to their employment. The solution of this unwholesome situation has thus far been rendered impossible by its connection with the generally unsettled internal politics.

In the Chefoo area, the adventure of Chang Tsung-chang has dragged out only because no serious effort has been made to dislodge him. His bid for making Chefoo a rallying point for all reactionary elements has met with no response. On the contrary various of his half-bandit adherents have been lured away from him. Sun Tien-ying, the violator of the Eastern Tombs, who for awhile was allied with Chang Tsung-chang, has now become an active Nationalist again and seems to be closing in on Chefoo.

The latest reports from the Consul at Chefoo are confusing. On April 21st the troops of Chang Tsung-chang engaged in the seige of

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Ninghai were surprised by a sortie of 700 soldiers of Liu Chen-nien and thrown in great confusion. The next day Ninghai was, however, reported as having been captured and Liu Chen-nien killed. On the 22nd, some of Chang's units turned Nationalist and there was considerable confusion at Ninghai and great uncertainty in Chefoo. Many of Chang's officers and their families were reported to be seeking transportation to Dairen.

6. Miscellenaous Notes.

During the two weeks covered by these Comments one American missionary was killed in Kweichow by bandits; a Japanese officer was murdered at Tsinanfu, probably by communist agents seeking to create further Sino-Japanese friction; and three Japanese were killed and six wounded on a river steamer near Shasi by defeated Chinese soldiery firing from the shore.

At a recent council of Manchurian leaders in Mukden it was decided to reorganize the Northeastern Frontier Army into divisions instead of brigades. It is said that there will be 20 divisions in Manchuria.

There have been numerous cases of the most atrocious massacres of Chinese by Moslems in Kansu this year. Aside from the normal antipathy which always exists in this area due to racial and religious differences, there now seems to be a more widespread rising directed against Feng Yu-hsiang with possible political significance. On April 14th, a Moslem leader at the head of 4, 000 men captured Ninghsia, the capital of the newly created province of the same name, and drove out the Kuominchun provincial chairman, General Meng Chih-chung. This serious diversion in the west may be very troublesome to Feng whose present situation is full of stress.

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Following are excerpts from a Consular Report, Mukden, dated April 13th:

"Various reports appeared in the press to the effect that the Mukden Government had sent arms and ammunition to the Nanking Government and also had remitted funds for its use. Inquiry in reliable quarters elicited the information that there is no truth in these reports.

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"There have been many misleading reports in the press regarding the operation of the arsenal at Mukden. From a reliable source it has been learned that production has fallen off about 20 per cent and that the number of laborers has been reduced about 15 per cent since Chinese New Year. This decrease in labor was not due to dismissals but to the failure of many workmen to return at the termination of their vacation. At present the arsenal is working nine hours a day instead of eleven hours at the end of last year. Production is affected also by the disorganization attendant upon the investigation of the affairs of the arsenal during the incumbency of the late director, Yang Yu-ting, which is now being carried on."

John Magruder.

John Magruder
Major, General Staff
Military Attache

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COMMENTS ON CURRENT EVENTS

April 23—May 7, 1929

RECEIVED G-2 W. D. JUN 11 1929

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1. General.

The past fortnight has witnessed the end of Chang Tsung-chang in eastern Shantung; the initiation of the Japanese withdrawal from that province; and the open breach between Nanking and Feng Yu-hsiang which promises to force the latter to accept a very unimportant role without a fight. The liquidation of all opposition in Hupeh quickly followed by the edging-out of Feng Yu-hsiang from Shantung has financially and militarily placed Nanking, or Chiang Kai-shek, in a commanding position. No leader or group alone would now dare openly defy the National Government.

The developments have occasioned no applause whatsoever from the people of China. The small group in the saddle at Nanking have yet to pay the cost of their successes in money as they are now paying it in loss of moral prestige. In the political and military victories of Chiang Kai-shek, however brilliant, the Chinese people foresee no advantage to themselves. The instinctive Chinese dread of authority too highly centralized is stronger even than the tendency to hitch to a winning cause.

Nanking is now involved in a campaign to reduce Kwangsi and Kweichow; in an expedition to bring Szechwan into her actual sphere of influence; and in a politico-military campaign to eliminate Feng Yu-hsiang as an active oppositionist. Even though Chiang Kai-shek has

retained his main forces in the Hankow area, some dispersion of his divisions is inevitable. The cost of all these activities is a severe drain on Nanking's finances despite the increments to be expected from Hunan, Hupeh and Shantung. Nanking is engaged in tremendous business expansion with limited capital. Nanking's accomplishments at this time are very imposing, and Chiang Kai-shek has proved himself to be a master political strategist.

Nevertheless, Wang Ching-wei is in Paris writing tirades against the new militarism, and his followers, comprising perhaps a majority of the members of Kuomintang, are bitter over the usurpation of the party's power by the compact Nanking group. The opposition of the center and left wing Kuomintang is not dead. The Kwangsi militarists and Feng Yu-hsiang are declared enemies of Chiang Kai-shek. The other Northern leaders wonder if Chiang Kai-shek does not loom menacingly great. The slogans and methods whereby the Kuomintang enlisted popular support and undermined their enemies cannot now be effectively employed by a group which has subjected itself to the charge of having become strangely like its predecessors in power. Nanking, prodded by Chiang Kai-shek, is launched upon a career in which its difficulties will mount rapidly. If China is not politically ripe for unification, she will not be unified by force.

China and Japan successfully cleared the ground for coming negotiations of a new commercial treaty by signing, on May 2nd, agreements in settlement of the Nankow and Hankow incidents. Already it is reported the technical preliminaries to the negotiations for a new commercial treaty have been accomplished.

On April 27, the Minister of Foreign Affairs addressed identic notes to the American, British and French Ministers in China requesting them to transmit to their respective governments the request of the National Government for a cancellation of extraterritorial privileges at the earliest possible date.

The Arms Embargo Agreement of May 5, 1919, ceased to be effective on April 26th, as a result of its voluntary cancellation by interested powers.

2. Military Situation.

In a previous Comments, it was suggested that civil war in China was only starting with the capture of Hankow by the government forces. The open rupture with the Kwangsi faction, and their immediate defeat in Hupeh and Hunan, brought these provinces under national control but did not eliminate the Kwangsi militarists. The direct action of Nanking precipitated a situation in the five southwestern provinces which promises to require the expenditure of much money and some drawn-out campaigns to liquidate.

The prominent Kwangsi leaders, who never reached the scene of operations near Hankow, set to work in Kwangsi to defend the province and make preparations to recover their losses at the expense of Kwangtung. According to the latest reports, Kwangsi forces are moving down the West River and there is fear of invasion in Canton. Doubt exists as to the allegiance of some of the provincial troops. Chiang Kai-shek's order that the Cantonese invade Kwangsi seems to have resulted in splitting Kwangtung into two camps and thus far has not been carried out. Chow Hsi-cheng of Kweichow is affiliated with Kwangsi, as is the Yang Sen group in Szechwan. A glance at the map will show that these three anti-Chiang Kai-shek groups hold contiguous areas from Kwangsi through to southwest Szechwan.

Against this combination, Chiang Kai-shek can probably depend upon the majority of Kwangtung provincial troops; the governor of Yunnan, Lung Yun, whom he is liberally supplying with arms and money; and Liu Hsiang in Szechwan, who at present seems to be holding his own with difficulty. Ho Chien, the new provincial chairman of Hunan, with provincial troops has started an advance into Kwangsi, and recent reports indicate that Liu Hsiang is being reinforced in Szechwan with several divisions from the Ichang area.

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The whole southwest is at war. Due to the strained relations between Nanking and Feng Yu-hsiang, it is doubtful if Chiang Kai-shek can greatly influence the outcome except by money and the employment of his affiliated troops. The majority of his own divisions must be kept available for possible operations against Feng Yu-hsiang from the direction of Hankow in the south and Hsuchow in the east.

It is difficult to gauge the remaining strength of Feng Yu-hsiang. Nanking officials assert that he is wholly lacking in food and munitions and cannot risk a fight. They also claim that Chiang Kai-shek can depend upon the active support of Yen Hsi-shan and Chang Hsueh-liang. Feng undoubtedly has been ill, has lacked decision, and the morale of his troops may have suffered from his constant political and military withdrawals. On the other hand, Feng now has his forces well concentrated in Honan; a withdrawal west of Tungkwan Pass means voluntary occupation with more than two hundred thousand men of an area already famine stricken. By remaining in Honan and observing the developments he may be able to take advantage of political and military embarrassments of Chiang Kai-shek in his widespread involvements. Yen Hsi-shan and Chang Hsueh-liang may gradually tend toward neutrality rather than active participation against Feng. At the same time that Chiang Kai-shek creates open enemies among his erstwhile nationalist associates he furnishes more causes for the attack of opposition within the party and loses moral support of the people. Feng will stand to benefit from all of these trends if he can hold on in Honan.

3. Nanking Breaks with Feng.

The peculiar developments in Shantung caused by the sudden withdrawal of Feng Yu-hsiang's troops under Sun Liang-chen are the result of the relations which actually exist between Nanking and Feng Yu-hsiang. The protestations of harmony so insistently made both by Feng and Chiang Kai-shek, mentioned in previous Comments, were patently too conventional

to be genuine. In spite of occasional expressions of mutual confidence still being exchanged, there can be no reconciliation, except possibly temporary, between these two leaders. Biting irony and subtle propaganda are contained in their present day exchanges of compliments. Between Nanking and Feng Yu-hsiang the break must be considered an open one.

One after another of Feng's subordinates have recently left Nanking. Y. L. Tong, Vice-Minister of Foreign Affairs, escaped to Shanghai and plans travel abroad. Lu Chung-lin, Minister of Military Affairs, secretly departed. All of the bodyguard detachments which had not escaped were disarmed. On April 30th, Chen Yi, Chiang Kai-shek's man, was appointed Acting Minister of Military Affairs. It is reported, however, that this ministry is purely a paper organization and has been for some time in view of the fact that all the real military affairs at Nanking have been conducted by Chiang Kai-shek's Department of Military Training.

General Wu Teh-chen, a member of the Central Executive Committee now in Peking in charge of the burial ceremonies of Sun Yat-sen, recently called at my office. In a long and frank conversation he discussed, among other things, the Feng——Nanking relations. He said that the government had tried hard to work with Feng and to obtain his genuine cooperation. The government had often overlooked his intrigues and been long-suffering but had failed to reform him. Upon the capture of Hankow the government had obtained definite proof of his intrigues with the Kwangsi faction and, had the Kwangsi debacle not been so sudden, Feng would assuredly have attacked the north flank of the government troops. As a result of this definite knowledge and his long-standing obstructionist policies, the government had concluded to break with him. Not only was he deprived of Shantung but he would be forced to give up Honan under moral or military pressure.

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He then told of Feng's military weaknesses and of the ring of enemies Chiang Kai-shek had allied against him. He also gave a detailed account of Feng's oppression of the people of Honan, including forced disposal of opium, forced purchase of rifles and their later seizure by military officers, and exorbitant taxes. Voluntarily and for purpose of spreading prejudice against Feng, a responsible member of the government's highest organ denied to me a hundred public utterances of the government of harmony and unity within national ranks.

4. Wu Teh-chen Tells Some Pa rty Secrets.

General Wu frankly admitted the dictatorial tendencies of Chiang Kai-shek but assured me that if he attempted individual dictatorship the "civilian group" could break him. He said, "We admit the dictatorship of a group but not of an individual". In referring to Nanking as "The Party", I said, "But do you claim that the present Central Executive Committee represents the will of the party?" He replied, "No, but we represent one group of the party and no others can contest our authority". When asked who were the powerful civilians in his "group" he mentioned none of the old party elders and I questioned him further. He said, "They have ceased to have any influence". I said, "Except for Chiang Kai-shek, you have named only Cantonese as the influential men. Is your group a group of Cantonese?" He replied, "Yes", and smiled when I suggested it was a convenient arrangement to have a non-Cantonese militarist since it would be easier to repudiate him.

The influential men he mentioned were the following: Chiang Kai-shek, Hu Han-min, Wang Ching-wei, Tai Chi-tao, Sun Fo and, without completing them, said, "Wang Ching-wei is the most influential man in the party and Hu Han-min next. They were closest to Dr. Sun and the original party members——nobody can contest their position. You notice we elected Wang Ching-wei a member of the Central Executive Committee even though he is leader of the left wing". I asked if he could come

back and claim his seat. "Certainly, if he conforms to our ideas", he replied. "But actually could he come back", I pressed, and he admitted smilingly that it would not be agreeable. He said, "If Wang Ching-wei as the civilian leader could combine with a Cantonese military leader!! It would be the strongest combination in China". He left no doubt that Dr. Sun's real mantle fell on Wang Ching-wei, and that the greatest fear of the present group was a return of the left wing leader at the head of a military combination.

5. Shantung.

The sparring between Chiang Kai-shek and Feng Yu-hsiang for the control of Shantung has been discussed for months. There seems little doubt that Feng was promised the province at a time when Chiang needed his support for his other manipulations. As mentioned in last Comments, Tsingtao was made a Special Municipality, thus separating the port from provincial control. The movement of Chiang's troops into the province, both from the north and the south, made it clear that Feng's subordinate, Sun Liang-chen, Chairman of the Provincial Government, was to be greatly restricted in his authority. The change in tone of Nanking toward Feng and the disposition of Chiang's troops on the Peking-Hankow Railway were ominous threats of which Feng was not unaware. It became evident that Feng could not remain in Shantung without a fight, and he cautiously withdrew his Shantung garrison into Honan.

The details of the politico-military maneuvers are unimportant except in so far as they show typical Chinese methods whereby the strong devastate the weak without departing good form. Sun Liang-cheng was quite prepared to take over the whole railway zone on time. Chiang's troops were delayed, and Nanking consequently asked the Japanese for a postponement. It was well understood in government circles that this meant the elimination of Feng from Shantung. Nevertheless on April 26,

a mandate was issued designating Sun Liang-cheng to take over the railway to Weihsien, Fang Chen-wu and Liu Chen-nien to the eastward thereof, and some special units of Chiang Kai-shek's, sugar-coated by the name of gendarmes, to police the whole railway. But Sun Liang-cheng had already started his evacuation. The families of his officers were en route by the 24th; the last of Feng's units left Taian an empty city by the 27th, and withdrew into Honan. The story of Sun's illness and repeated requests for leave make tragic reading to one who accepts China literally. His illness reached an acute state just prior to his own departure. This fiction of illness continues to be carried out in faultless form in all official accounts of the affair.

On April 30th Nanking issued new orders designating Chen Tiao-yuan to replace Sun Liang-cheng, and intimated that the latter would be appointed chairman of the provincial government. By May 1st, Chen's troops in the south and Fang Chen-wu's to the north were prepared to enter the zone. The gendarmes from Nanking arrived at Tsinanfu on May 2nd. On the 4th these latter relieved the Japanese garrison in the walled city of Tsinan without incident. It is announced that the Japanese will complete their evacuation of the zone by May 27th.

6. Chefoo.

On or about April 22nd, the siege of Ninghai was lifted under peculiar circumstances. Some of Sun Tien-ying's troops, operating presumably for Chang Tsung-chang, entered one gate of the city as Liu Chen-nien's left by another. Sun's troops suddenly changed flags and set upon their former allies, whereupon the besiegers were thrown into consternation and dispersed. Chang Tsung-chang fled from Chefoo on the 23rd, later escaped with a thousand followers to Tachi Island, from where he took ship to Dairen. Here he was refused asylum by the Japanese authorities but on May 2nd was permitted to re-ship for Japan.

Most of Chang's followers were scattered or surrendered. Chu Yu-pu with more than a thousand soldiers became besieged at Fushan where they are still holding out. Having been refused quarter, they are resisting stubbornly and causing their attackers many losses.

Liu Chen-nien is again in charge of Chefoo, and the bona-fide commander of the new 3rd National Division. There are several gradations of "national" organizations in the area, some scattered ex-Chang troops and some out and out bandits. Now that dependable organizations are taking over the railway zone, northeast Shantung should soon be cleared. A great number of the most unwholesome outlaws will have to be absorbed into the Shantung forces as the only means of handling men who must choose between banditry and starvation.

7. Tang Sheng-chih Stirs.

The attitude of Tang Sheng-chih and the status of his troops in the Peking and Tangshan areas will soon be as much of a mystery as they were in Pai Tsung-hsi's time. Judged by Chinese opinion, the past relations of Tang Sheng-chih and Chiang Kai-shek will prevent any permanent cooperation on the part of these men. Apart from Tang's deep-seated antipathy for Chiang, Tang and his subordinates are quite definitely leftists in political faith. I have almost conclusive information that throughout the organizations there is the feeling that the revolution was arrested by C hiang Kai-shek. When circumstances permit it should be expected that more genuine sympathy will express itself in Tang Sheng-chih's divisions for Feng Yu-hsiang and Wang Ching-wei than for Chiang Kai-shek.

I have been approached by General Ken Wang (West Point, 1918), an officer close to Tang, for detailed information regarding organization and educational methods which it is desired to put into effect. Considerable interest was shown as to the possibility of procuring arms and airplanes which General Wang, while pretending to deprecate the idea, assures me has nothing to do with the Central Government. Tang Sheng-chih

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will attempt to increase the combat value of his personal divisions and maneuver for each opportunity to get closer to his old province, Hunan. When he does, his former subordinate, Ho Chien, may be expected to join up or have short shift.

The attitude of Tang Sheng-chih is typical of almost every militarist in China who has been bought over by Chiang Kai-shek with funds supplied by the genius of T. V. Soong.

8. Miscellaneous Notes.

Three American Catholic priests were murdered by ex-soldiers on or about April 24th at Chenki, west Hunan.

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Liu Tsen-hua, with two of Feng Yu-hsiang's divisions, who has occupied the railway between Peking and Tientsin, has moved southward. As part of Feng's plan to concentrate his forces to prevent their being cut off, it is suspected that these two divisions have moved overland to southern Chihli.

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Among the statements being put out by Nanking against Feng Yu-hsiang is one to the effect that Feng will attack Shansi from the west after being forced out of Honan. Some color of truth is lent to the story by recent unconfirmed accounts to the effect that, under cover of exaggerated reports concerning the Moslem uprising in Ninghsia, Feng is moving troops into position to threaten the Suiyuan area. Yen Hsi-shan has actually sent small reinforcements to Paotow.

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The British intelligence service at Hongkong discovered a large shipment of arms on a ship passing through that port. Upon investigation it was found to be material destined for General Lung Yun of Yunnan and supplied by Chiang Kai-shek. The cargo consisted, among

other things, of 40 mountain guns, 20,000 rifles and quantities of ammunition for both.

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A resolution of the State Council on April 12th states: "That all medals or orders of merits conferred by various previous regimes in the past be declared null and void by mandate".

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Colonel Max Bauer, the German military adviser to Chiang Kai-shek, died of smallpox at Shanghai on May 6th.

John Magruder
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COMMENTS ON CURRENT EVENTS

May 8 - May 20, 1929

1. General.
2. War in the South.
3. The Situation in the North.
4. Military Preparations.
5. The Japanese Evacuate Shantung.
6. Relative Calm in East Shantung.
7. Nanking Fears Publicity Not of Its Own Making.
8. Miscellaneous Notes.

RECEIVED G-2 W. D. JUN 22 1929

1. General.

The policy of military conquest, unification by force, consolidation of centralized authority, or whatever one may call it, was launched when the military campaign against Wuhan was conceived. Regardless of the wisdom or not of the course of action, this positive policy of Chiang Kai-shek started civil war which at this time increases in seriousness. Temporarily, all thoughts of reconstruction, disbandment and moral unity have been laid aside and war is in the air.

For a time, Nanking's military and political successes loomed very imposing. During the short space of two weeks, the Kwangsi attack on Canton promised success, broke down, and then developed anew. During the same period Nanking has tightened its ring of formidable military forces about Feng Yu-hsiang in Honan. Denunciatory telegrams have passed between Feng and Chiang Kai-shek of such outspoken nature as to preclude any settlement except by a major military decision. Whether open clashes occur before Sun Yat-sen has been ceremoniously entombed at Nanking seems to depend upon whether or not Feng assumes the offensive. It appears that Nanking had planned merely to contain Feng until after June 1, since another postponement of the burial would be a great loss of face to the government. Last news makes it seem improbable

that open war can long be delayed unless Feng voluntarily withdraws into Shensi and Kansu or Chiang Kai-shek abdicates in the face of the gathering opposition.

The evacuation of the railway zone in Shantung by the Japanese proceeded smoothly and the last of the 3rd Division sailed from Tsingtao on May 20, according to the schedule as modified at the request of the Chinese Government. Shantung is now under chopped-up Chinese authority. The restraint to rival militarists imposed by the common feeling against Japanese occupation being removed, Shantung may expect many tribulations before peace comes to that unfortunate province.

The policy of news suppression by the government continues unabated. Both the foreign and native press is subject to legal and illegal intimidation. With the exception of a few opposition journals, the native press does not dare publish any news unfavorable to the government or opinion critical of Nanking. Denunciations of Feng Yu-hsiang appear daily, but all replies of Feng and his adherents are rigidly suppressed.

2. War In the South.

Military operations in the Kwang provinces have always been difficult to follow due to the prevalent intrigue and manipulation which are greater even than in the North. The details of the organizations and commanders are involved for observers on the spot and extremely unfamiliar to observers in the North. Due to the absence of foreign officials in Kwangsi and to the present censorship of news, there have been no reports available from Kwangsi. The following is an approximate account of the situation in the southwest:

Nothing was known as to the provincial resources of the Kwangsi faction after their complete debacle at Wuhan. The various leaders, except Li Chai-sum, who is prisoner at

Nanking, finally assembled and, with undoubtedly meager resources, planned a hasty dash on Canton. They apparently expected little real pressure from Ho Chien from Hunan. The commanders in Kwangtung were divided in their loyalty and some of them quickly declared against Chiang Kai-shek. Superficially it appeared that Canton was an easy prize if any serious outside force were thrown into the balance.

By May 8th, a column of Kwangsi troops advancing down the West River were reported to have captured Shuihing; a fight had broken out along the Kowloon-Canton Railway; a railway bridge was seriously damaged between Canton and Shek-lung; and Canton was in great consternation. On the 9th, a squadron of the navy changed their allegiance and while shifting their anchorage were attacked by Cantonese aviators. The squadron promptly moved to anchorage in the midst of foreign ships just off Shameen. This created a serious menace to the foreign ships, as well as Shameen, and there followed negotiations conducted by the American Consul General, as senior consular officer, which resulted in a return of the squadron to Canton control, money payment to the crews, and safe conduct for the disaffected admiral.

By May 10th, Samshui, 30 miles west of Canton, had been captured by the Kwangsi forces. Swatow also was taken over by a pro-Kwangsi general. However, Ho Chien's advance from Hunan into northeast Kwangsi proved to be more serious than had been expected, and Chuanchow fell, leaving the way open to Kweilin. This threat to the province of Kwangsi seemed to change the situation and by the 14th Kwangsi troops were withdrawing from Samshui on the west and Shekiung on the east. The government announced the capture of Kweilin on the

18th. The next day Waichow was occupied by Canton forces, and the Kwangsi units on the East River and at Swatow were trying to effect a junction in eastern Kwangtung. Chang Chen from southern Fukien is now en route to that area with pro-government forces.

The Cantonese announced the preparations for an advance against Wuchow on the West River. On the 17th and 18th, however, Kwangsi forces attacked in the North River area and got within about 25 miles of Canton. They were thrown back but a large Kwangsi force is astride the Canton-Hankow Railway and another attack seems imminent. The government reports that Ho Chien continues to advance but there is considerable doubt as to the allegiance of this ex-Tang Sheng-chih commander to Chiang Kai-shek. Lung Yun is reported to be moving from Yunnan against western Kwangsi. No information has been received of assistance given Kwangsi by Kweichow, nor has any activity in Szechwan influenced the situation. Chiang Kai-shek has not diverted any of his main forces to the assistance of Kwangtung but has sent some detachments and naval support. It is not yet evident to what extent the war in the South will afford a serious diversion for Feng Yu-hsiang.

3. <u>The Situation Thickens in the North.</u>

Doubt no longer remains of the approaching conflict between Feng Yu-hsiang and Chiang Kai-shek. It is to be observed that Feng prepares his case against Chiang personally, not against the central government and the party. On May 14, Hsueh Tu-pi, Minister of Hygiene and Feng's most persistent peacemaker, left Nanking. This was Feng's last connection with the government. Y. L. Tong refused to reconsider his resignation. The same day, the Honan party committee severed its relations with the party central. The new Honan committee

previously appointed by the Central Executive Committee to replace the recalcitrant one naturally dared not appear in Feng's territory. Feng's representatives in Peking have been restive for some time. Ho Chi-kung, Mayor of Peking, has finally availed himself of two weeks' leave of absence which he finds advisable to spend within the imperialistic confines of the Legation Quarter.

Long after military concentrations betrayed the real intentions of Nanking toward the Kuominchun, the pretenses of harmony were kept up in their telegraphic war. These protestations were largely matters of Chinese good form and designed to deceive no one. Among foreigners, only such paid propagandists as Powell, Millard and their satellites employed Chiang Kai-shek's verbose documents, prepared by clever returned students, as genuine articles. The friends of the Chinese people are sincerely perturbed by the approaching war between the military head of the only government of which China can boast and Feng Yu-hsiang, the only revolutionary militarist whose personality has sustained any hope among the common people. Those Chinese and foreigners who have pinned their faith in official promises are at loss to know where to place their sentiments in the coming struggle.

During the past week it is reported that Feng's generals, headed by Han Fu-chu and Sun Liang-chen, issued a denunciation of Chiang Kai-shek demanding that Feng Yu-hsiang drive him out in order to save the country. The government has thus far suppressed the circular telegram. Feng too has denounced Chiang in plain language in a telegram of May 11th which the government has also suppressed. Its tenor may be judged by a reply which Chiang Kai-shek issued on May 17th,

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in which Chiang employs one-sided arguments as propaganda favorable to himself. The reply is a naive document which can be considered convincing only by those unfamiliar with Chinese methods and recent Chinese history.

Ho Ying-chin, commander of the forces at Hankow, on May 17th made public statements to the effect that Honan under Feng Yu-hsiang had gone communist and that it was imperative that the province be restored in order to save the people, etc., etc.

4. Military Preparations.

Feng has always exacted great secrecy from his troops relative to their movements. Also he effectively prevents the spread of military information from civilians in his occupied areas. From all the available sources, however, it seems that he is still well concentrated in the Chengchow-Tungkwan area with the advance elements of his covering detachments at Mingkiang and Changte on the Kin-Han Railway, and at Kweiteh on the Lunghai Railway. Recently he has formed a concentration at Nan Yang, in southwest Honan, either for advancing down the Han River or covering a possible advance of government troops from that direction. There are rumors that he has crossed the Yellow River into southern Shansi, and that he will first attack Yen Hsi-shan. Many Chinese feel that Feng will force Nanking to strike the first blow in order to avoid the charge of being the aggressor.

In his recent withdrawals both from the north and south along the Kin-Han Railway he has effected some demolitions, the extent of which are not known. Rumors state he is prepared for wholesale demolitions of the railways if pressed. For several weeks there have been no railway communications with Feng's territory.

Surrounding Honan is a chain of pro-government adherents, some of the links of which may be considered very weak so far as Chiang Kai-shek's cause is concerned. Feng, who can boast of such faithful subordinates, makes little appeal, however, to the usual run of military chieftains. In ordinary circumstances he is a Lone Wolf, and his destruction has often been desired by other militarists. In the present situation one cannot but wonder if certain aspiring militarists do not visualize some advantages in having even Feng Yu-hsiang exist as a buffer between Chiang Kai-shek and their own inevitable extinction. Chiang Kai-shek's growing powers cannot in the Chinese nature of things be viewed with equanimity by other commanders. With the example of Yuan Shih-kai and Wu Pei-fu in mind Chinese leaders wonder how much more inflation Chiang's imposing balloon will stand before the danger point is reached. Despite recent events this conventional reasoning is still prevalent in China today. If so, numerous of his subordinates, desirous of being on the winning side, are nevertheless studying signs of Chiang's elastic limit in order not to be victims with him in a possible break-up.

There are evidences that the crystallization of left wing military forces is at hand. The present situation might result in a complete and sudden realignment of political and military forces.

Some commanders, notably Fang Chen-wu and Tang Sheng-chih, are suspected of having political leanings more in common with Feng than with Chiang. Unless some turnovers in Feng's favor, not purchased with money, are expected it is difficult to see how Feng with his meager resources can hope for success. However, he occupies a central position

with radiating rail communications, and has the only compact force in China whose division commanders have heretofore obeyed his orders explicitly. He probably can muster 150,000 to 200,000 mobile forces. His men have been infused with the will to win, and conceive themselves to be defenders of a cause. The moral factors do not all favor the "government forces" in this instance, as has been the case in all fights for several years.

Beginning in the North, Yen Hsi-shan has detachments in the Shansi valley and on the Kin-Han Railway separated in the zone of operations by rather inaccessible mountains. He can muster about 90,000 men on these fronts. Southern Chihli and northwestern Shantung are lightly held. Most of Chiang Kai-shek's divisions in Shantung, except those to be mentioned later, will be required to insure order in that province. Fang Chen-wu's two and one-half divisions recently moved into Shantung have been sent forward to the Hsuchow area on the Lunghai Railway. Two of Tang Sheng-chih's divisions have moved to Tsining (western Shantung) and the other two at Tangshan (Hopei) are now starting southward by rail. With other divisions in the Hsuchow area, Chiang Kai-shek has a mobile force of about eleven divisions to operate against Honan from Shantung and northern Anhwei.

Chiang's main forces are in northern Hupeh on the Kin-Han Railway and in the Han River valley. Their main concentrations are now in the area of Wushengkwan and Fancheng respectively, with advanced elements near Sinyang and the Honan-Hupeh border just south of Sinyeh.

He has available for maneuver about eight of his dependable divisions and some six mediocre divisions, and five independent brigades of more recent acquisition. His total strength on this front, under the command of Ho Ying-chin, is about 130,000.

Some of the divisions and brigades recently reorganized from the defeated Wuhan troops are being transported down river from the Ichang area, perhaps to avoid putting their new loyalty to any test.

A very rough estimate of Chiang Kai-shek's available mobile forces is as follows:

Yen Hsi-shan	- 90,000
Fang Chen-wu	- 30,000
Tang Sheng-chih	- 53,000
Others on the Lunghai	- 44,000
Ho Ying-chin	-130,000
	347,000

There have been persistent rumors that if and when Yen Hsi-shan's garrison troops in the Peking-Tientsin area are needed at the front, they will be replaced by Fengtien troops. Both Shang Chen and Fu Tso-yi are said to be under orders to go to the Shansi front. It has also been rumored that, if needed, the troops of Yu Hsueh-chun, the Fengtien commander now occupying the area between the Wall and the Lwan River, will be employed at the front.

5. <u>The Japanese Evacuate Shantung</u>.

In accordance with the plan of evacuation announced after the Chinese request for postponement, the Japanese turned over Tsinanfu to Chen Tiao-yuan on May 10th. The Japanese 3rd Division started to vacate the city on the 11th. The occupied stations in the railway zone were successively occupied by Chinese troops and the Japanese garrisons proceeded to Tsingtao. Plans were completed by May 16th for the taking over of Tsingtao by General Wu Tze-wu, commander of the special gendarmes. The latter is also charged with the policing of the railway zone. The first transport left Tsingtao on May 14th, and on May 20th the last of the Japanese expeditionary

force in Shantung sailed. Thus ended an adventure which occasioned much hatred and bitter controversy. The real effects of the third occupation of Shantung upon Sino-Japanese relations will always remain a debatable question. There seems to be little doubt that the disruptive tendencies among the Chinese leaders were held in abeyance as long as they had common cause against Japanese aggression. Almost immediately following the settlement of the Tsinan incident civil war broke out, and has since been continuous.

6. Relative Calm in East Shantung.

On May 10, following a brief armistice, Lushan capitulated to Liu Chen-nien. The soldiers were given pay and the higher officers, including Chu Yu-pu, were guaranteed safe conduct out of the country. This was the last organized resistance in Eastern Shantung by the followers of Chang Tsung-chang.

Liu Chen-nien, during his early reorganization of the Chefoo area, was recognized as a man of considerable decision and ability. His recent operations, lone-handed and in the face of great odds, have marked him as one who may be heard from in the future. Nanking has publicly praised him and his men for their recent exploits. Once a reactionary free lance, he is now the legal, recognized authority in a large area surrounding Chefoo.

7. Nanking Fears Publicity Not Of Its Own Making.

Following their traditional genius for introducing unimportant factors into situations which are developing satisfactorily and thereby vitiating important favorable factors, the Chinese at Nanking insist on pin-pricking sympathetic governments by pettish attacks on foreign journals and journalists. The most cursory review of British and American opinion

at home should convince one that, despite all the efforts of die-hard journalists, public opinion in those two countries remains firm in the conviction that the National Government has brought hopes and accomplishments to China which no intelligent Chinese would ever admit in confidence. Those members of the Nanking Government best informed concerning foreign reactions are unfortunately without much power, but they should know that Americans and British, jealous of the freedom of the press, are more prejudiced by attacks on that freedom than they are by caustic, even true, criticisms of a national government in which they insist in believing.

The North China Star (American), the most staunch supporter of the nationalist movement even in its darkest days, was denied the use of the mails for weeks because of the publication of an innocuous article which a personal enemy of the owner of the paper deliberately mistranslated for Chiang Kai-shek. Chiang Kai-shek, personally piqued, long persisted in the illegal suppression of the paper, apparently in spite of the advice of the Ministry of Foreign Affairs.

On May 4th, as a result of a decision of one of the central party organs, the postal facilities were refused the North China Daily News and Herald (British). The reading of these papers by government officials was declared a reactionary deed. These publications have in general editorially reflected the British commercial attitude but to a varying extent have been influenced by moderate British official attitude as well. During the period of communist influence in the nationalist movement the journals were decidedly antagonistic to that feature of the movement. Latterly the tone of the papers have been critical of Nanking's shortcomings but moderate on the whole. No journal in China could be honest without being

constantly forced to controvert deceptive official propaganda and to show up official pretensions. No correspondents over China could report conditions truly without reciting the most revolting atrocities of bandits and soldiers and the most monotonous accounts of injustice and misgovernment by such authorities as happen to exist at the time. The North China's news columns have been guilty perhaps of showing up the most wretched misgovernment in the world but, in all truth, that is exactly what the Chinese people have suffered and still suffer.

Three American journalists recently have been declared undesirable by the sensitive party officials at Nanking. These are Mr. Sokolsky of Shanghai, Mr. Dailey of the Chicago Tribune, and Mr. Abend of the New York Times. The first named has departed somewhat from his earlier pro-Kuomintang leanings and has doubtless taken advantage of friendships to learn intimate facts about party affairs. Nevertheless, his informing political writings, based upon such intimate knowledge, are discerning and realistic. Mr. Dailey's articles have been sensational, sometimes highly imaginative, and doubtless painful to propagandists because of their non-conformist interpretations. Mr. Abend has occasionally arrived at sensational results by piecing together dubious facts. He has destroyed many official pretensions by wide knowledge of actual conditions and has succeeded in making New York Times editorials unique at home in that they have some regard for the realities in China.

Without holding a brief for any one of these journalists, in general their sin is that they have dug beneath the surface of Chinese affairs and inevitably have injured

Chinese sensibilities by turning up unwholesome truths. Any foreigner, be he missionary, teacher or journalist, who applies searching, unbiased analysis to Chinese affairs, and publishes his findings, will surely become persona non grata in Chinese official circles. Until the searchlight of publicity is turned relentlessly upon the internal conditions in China, uninformed foreign opinion will encourage Chinese officialdom to obscure real issues and avoid those self-sacrificing measures without which the Chinese people will never realize their just aspirations.

8. Miscellaneous Notes.

Ever since the Nationalist advance a year ago, Liu Chen-hua, with two divisions, presumably Kuominchun, has occupied the area between Peking and Tientsin. This commander, while not an original subordinate of Feng Yu-hsiang, has been associated with him. When Feng withdrew into Honan, Liu Chen-hua remained outside the cordon, thus demonstrating his allegiance to the government and his preference for Nanking's liberal pay to Kuominchun self-denial.

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On May 9, the Executive Yuan issued an official statement expressing appreciation of C. T. Wang's accomplishments as Minister of Foreign Affairs. Feng Yu-hsiang read without surprise and knew that another of his proteges had forsworn the austere path of service.

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On May 9th the C. E. C. dismissed the entire membership of the Party Affairs Directorate for the Special Municipality of Peiping and appointed new members in its place. The same action was taken against the Shantung and Honan Party

Directorates. The Hankow Municipal and Hupeh Provincial Directorates previously had undergone similar replacement. The following mandate has since been issued:

> "The character and conduct of all Party members registered with the said two Party Headquarters be investigated into and in case it should be discovered that there are adherents of the Wuhan rebels among them, the Provisional Committees on the Reorganization of the Hupeh Provincial and the Hankow Municipal Party Headquarters be responsible for collecting and submitting such evidences to the Central Authorities for consideration and decision."

This continuous party cleaning is probably considered necessary if party discipline is to be maintained. It demonstrates, however, the inherent lack of harmony within the Kuomintang. It disproves the claim that China is governed by representatives of the party rather than by a very limited group which seeks to monopolize the authority to the exclusion of all others.

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COMMENTS ON CURRENT EVENTS

May 21 -June 3, 1929

1. General Summary.
2. Chiang and the Central Government versus the "Christian General".
3. Sun Yat-sen and His Burial.
4. The Situation in South China.
5. Soviet Consulate Raided at Harbin.
6. Miscellaneous Notes.

1. General Summary.

RECEIVED G-2 W. D. JUL 8 1929

The unexpected has again happened in the politico-military situation. Han Fu-chu and nine other of Feng Yu-hsiang's most trusted generals have gone over to the Central Government. Whether this apparent disaffection constitutes an actual betrayal or a strategic move on Feng's part is not clear at the present writing. The Governor of Shansi and Feng have been prodigal in the publication of open telegrams advertising their desire to retire from public life and to spend their time together in touring foreign lands. But the latest indications are that Yen is concentrating his forces against Feng.

In the most noteworthy demonstration in China in recent years, the body of Sun Yat-sen, which since 1925 has laid in state at Piyunssu, was escorted with imperial honors to a mausoleum on the Purple Mountain at Nanking, which bids fair to become the shrine of the nation. Sun's influence is increasing with great rapidity and he is becoming the "Father" of his country, as he was the "Father" of the revolution.

After various upsets the Cantonese have at last driven all the invaders from Kwangsi from Kwangtung soil. The Hunanese army has occupied the strategically important city of Wuchow thereby hastening the Kwangsi retreat, and the followers of the Kwangsi clique are in flight westward through their native province.

The raid which was recently accomplished on the Soviet Consulate in Harbin is a manifestation of the growing nationalism of China,

since it is believed to have been a step in the direction of gaining control of the Chinese Eastern Railway. The Soviet Republic promises reprisals on Chinese consulates in Russia.

2. Chiang and the Central Government Versus the "Christian General".

Since 1927 when Feng entered the Kuomintang fold, observers have predicted trouble between the Kuominchun and the Kuomintang. Feng is an able, strong man with a personality which binds his soldiers to him with bonds far stronger than discipline. He compares with the great leaders of the past, and his troops have undergone every hardship for him with a willingness which has surprised students of Chinese psychology. Feng is of the people, he is trusted by the people, and he loves the people. If he is eliminated the people will have lost their best friend, and the left wing its only military hope. Feng is ambitious, yet his ambitions a re curiously denied expression by his real affection for the laborer. There is no doubt but that opportunities have been often presented his ambition, which his coolie heart has forced him to reject. He is a leader of vision——long before the Kuomintang had thought of its slogan propaganda and the political education of its soldiery, the soldiers of Feng were being supplied with moral reserves, and even with the Christian religion. He has inculcated his soldiers with the belief that they are the friends and protectors of the people, and being of the people, should live as they live. Cromwellian in his personal habits, he has caused his men to adopt a style of living of Spartan simplicity. He is their father, a Chinese father whom they all love, yes, but whom they respect and fear as well. He knows most of his soldiers personally. He takes an interest in all their troubles and metes out punishment and favors without partiality.

Han Fu-chu was a battalion commander in Feng's regiment when Feng was a colonel. Every time that Feng was promoted he carried Han another rung up the ladder. Finally Feng became the commander-in-chief

of the Kuominchun and Han was made second in command. Feng was given Honan and he appointed Han Fu-chu governor. So it is with Shih Yiu-san. He also was in Feng's regiment and was carried along on the wave of Feng's success. On May 22nd, Han Fu-chu, Shih Yiu-san and eight other Kuominchun commanders issued a proclamation saying that Feng was a selfish enemy of the people and that they with their troops were awaiting orders from the Central Government at Loyang. The announcement came as a bombshell. The news organs gave it scare-heads, yet at first no one believed. Then confirmation was received. General Han asked Nanking for orders to advance on Feng. The Japanese Chargé told me that he had evidence that it was an absolute betrayal, yet not a Chinese could be found who believed it was treason. The Chinese opinion, now that they have accepted the fact that ten generals and 100,000 men have deserted Feng, is that the desertion was carried out under Feng's orders; that Feng was in no position to fight because the provinces under his control, Honan, Shensi and Kansu, have suffered more than any others from draught and famine; that Feng wants time——time to harvest this year's crops, time to get munitions with which he is ill supplied; that Han has erected a buffer state between Feng and his enemies; that since he could not fight and must retreat, Shensi, ravaged by famine, could not feed his army so he has left a large part of it in Honan where the crops are better and where they can be fed by the Central Government; that when the time is ripe his generals and his 100,000 men will come back to him. And in view of the loyalty of Feng's men and of his officers, and of all that he has done for Han Fu-chu, Shih Yiu-san and the others, it would seem that the Chinese diagnosis might be the correct one.

On the other hand we have the comparison between the modes of life of the officers and men of the Kuominchun and those of the Central Government. The difference between actual poverty and comparative luxury, between self-sacrifice for an abstract idea and the self-indulgence

of the soldiers' dream. There then is the possibility that Han and the rest have tired of Spartan simplicity and have succumbed to the lure of luxury. It is too early to predict which of the above lines of reasoning is the correct one. All things are possible in China!

Concurrently with the news of Han Fu-chu's disaffection came reports of telegrams being exchanged between Feng and Yen in which they professed the desire to go abroad and to stroll "hand in hand" through foreign lands in order to forget the cares of government. A translation of one of Yen's epistles sent on May 26th follows:

"I have your telegram of the 25th. I had long meditated on this expedient for the sake of the Party and the State, the people, and us three (meaning Chiang Kai-shek, Feng Yu-hsiang and himself). That was why I poured out to you my personal feelings without reserve. I am happy to learn that you are willing to take my advice and are prepared to give up everything to go into immediate retirement from active participation in politics in order that war may be averted. This is indeed not only our own good luck but also a boon for the Country. I had long determined upon a journey abroad and you can imagine, therefore, my elation and happiness in having your company.

"I am returning to my native home in a day or two to make all necessary arrangements for taking care of my father. That done, I shall take my wife to Yungcheng in Shansi (about 50 miles northeast of Tungkwan) to wait for you there. Please, therefore, issue a circular telegram announcing to the people your intentions and at the same time take your family there so that we may start together.

"We will deliver over to the Central Authorities all the troops under our command to be reorganized according to the decisions of the Reorganization and Disbandment Conference.

"From now on we two shall be inseparable from each other and may wander about in foreign countries in a care-free and light-hearted manner. Such happiness is really indescribable.

"Please, therefore, take note of my sincere words and favor me with an early reply as regards the date for our departure so that I may inform the Central Authorities by telegram."

All of the published telegrams are of a like tenor and it began to look as though perhaps Yen would finally get Feng to leave with him. A special train was made up and sent to Shihchiachuang to await them, one of Yen's emissaries approached the Japanese Tourist Bureau and swearing the agent to secrecy made reservations for Feng and Yen to Japan, and then broadcast the news himself.

On May 27th Feng issued a telegram announcing his retirement, evidently in ignorance of the mandate which emanated from Nanking on the 26th describing him as a traitor and ordering "all government organs, both military and civil....to arrest him for prosecution and punishment in order to pacify the country and enforce law and discipline". Upon receipt of this word Feng again telegraphed Yen saying that since he was in fear of arrest the foreign tour would have to be postponed.

As the period under observation closes the Central Government is drawing the circle closer about Feng and announces that even though he does retire he must be punished. Feng has the choice of retirement to Shensi where he will be comparatively safe, or a struggle with his elimination as the only logical outcome.

3. Sun Yat-sen and His Burial.

The beginnings of Chinese history are lost in the haze of the past. Yet any modern Chinese can picture vividly P'an Ku, the first living being, who with his chisel and hammer molded out of chaos the world as it is today. He worked 18,000 years at his tremendous task.

Turning back still fewer of the pages of time we come to China's golden age——the age of the Five Rulers, commencing in B.C. 2852 and continuing until B.C. 2205. During this period lived the Great Immortals of Chinese history, Yao Yü and Shun. Confucius and Mencius, as well as every succeeding reformer, point backward to this trio and beseech their contemporaries to emulate them. Their influence on Chinese thought and action through the centuries has been enormous. There is no figure in Western ancient history whose shadow falls athward modern times and influences modern action in so potent a manner.

And now in the twentieth century comes Sun Yat-sen, who is also to become immortal and who will have as much, if not more, effect upon the future of China than did Yao, Shun and Yü. Scarce four years have passed since his death, yet today his name is breathed with respect

and admiration by nearly all of the four hundred million. Many there are who repudiate the Kuomintang, yet in doing so they say that had Sun lived no such degeneracy would have eventuated, and each to his own liking pictures things as they would be today, were Sun alive.

Without any doubt there are many weak passages in his San Min Chu I, as there were probably many weak spots in his character, but time is rapidly obliterating the defects and Sun Wen will go down in history as the emblem of unrest and revolution. It is my opinion, and I may be entirely wrong, that today Sun Yat-sen has more worshippers in the world than has Confucius. It is due to the latter that Chinese show such regard for form and decorum, and such love of the past. Sun's influence is eclipsing that of Confucius and will guide the China of the future along lines indicated by his life---paths of rebellion, extreme nationalism and paradoxically, socialism.

The Funeral. The procession started at Piyunssu at 1:00 a.m. on May 26th and ended when Sun was placed in his mausoleum on the Purple Mountain at 10:30 o'clock the morning of June 1st. An attempt was made to do away with the splendor of the Chinese funeral and to conduct it along western lines. To the Westerner, therefore, it was but a sad imitation, but to the Chinese it was a novel success. But the Westerner could not but be impressed with the scale on which the thing was done and with the fact that it seemed truly a national demonstration. The catafalque was carried by pall-bearers all the way from Piyunssu to the train in Peking, placed in a special car designed for the occasion, carried across the Yangtze amid a salute of 101 guns, and finally, followed by Chinese officialdom and foreign diplomats, climbed the steps to the tomb on the Purple Mountain.

It was not a burial but an enthronement.

4. The Situation in South China.

It is only towards the close of the period under review that anything definite has come to light about the situation in South China. Reports pro-Kwangtung having the rebels on the run back to Kwangsi

appeared beside pro-Kwangsi reports stating the fall of Canton as an accomplished fact. To make things even worse a very strict censorship was inaugurated, and the evaluation of the status quo came to be a matter of guesswork even for the observor who happened to be on the ground.

The Kwangtung plan of campaign was as follows: The Kwangtung Army was to operate west and east from Canton effecting a juncture with the Fukienese Army under Chang Chen in the neighborhood of Swatow, and joining with the Hunanese Army under Ho Chien just across the Kwangtung border in Wuchow, Kwangsi. In this manner the main body of the Kwangsi Army would be pinched between Ho Chien in the northwest and the main body of the Kwangtung Army operating northwestward from Canton, and furthermore, their withdrawal would be expedited by Ho Chien's advance. The small forces of pro-Kwangsi troops who had formerly rebelled from Kwangtung, and who occupied Swatow and the railroad running to Chaochow, would be obliged to meet an attack from the Fukien troops in the north and from the Kwangtung troops in the south.

The main Kwangtung Army——that operating up the West River from Canton towards Wuchow, was to have the assistance of the Canton Navy whose loyalty had been made certain by the fear engendered by demonstrations against the rebel ships by Cantonese aviators.

The Kwangsi forces were operating against Canton from three sides; on the east pro-Kwangsi forces under Hsu Ching-tang were attacking, and on the west and north Kwangsi troops under Pai Chung-hsi and the governor of the province, Huang Shao-hsiung, endeavored to capture the city.

On the 18th of May, Samshui actually fell to the Kwangsi Army, and the Cantonese officials prepared to flee, but at the same time word reached the invaders that Kweilin, north of Wuchow about 150 miles, had fallen to Ho Chien. Since Wuchow was the Kwangsi base and the headquarters were there, the Kwangsi troops rapidly withdrew from Samshui toward Wuchow.

The Cantonese Army was short of men, having lost a good part of its provincial troops by disaffection to Kwangsi. Such troops as there were, however, were well supplied with arms and ammunition and were ably seconded by the Canton Navy and the Cantonese Air Corps.

The Kwangsi troops are thought to have about 35,000 men as well as an undetermined number of disaffected Cantonese troops. They, however, have been very short of ammunition and have had no chance of obtaining any, since they have been the center of an attacking ring.

The Cantonese shortage of troops has been made less embarrassing by the arrival of reinforcements from Shanghai, about 10,000 having disembarked at Canton; and to the pressure which the Hunanese and Fukienese troops have been able to exert from the north and east, respectively. The most recent reports indicate that the advance elements of Ho Chien's Army have occupied Wuchow and that Swatow and Chaochow have fallen to Kwangtung. Through fear of political complications, Chang Chen was ordered to leave the capture of Swatow to the army from Canton, even though he had practically fulfilled his mission and had captured the railhead at Chaochow.

General Pai Chung-hsi is reported to have fled to Nanning; the Kwangsi insurrection has apparently proved abortive, and Kwangsi bodies float past Shameen.

Soviet Consulate Raided at Harbin.

On May 27th the police of Harbin carried out a raid of the Soviet Consulate in that city. Some thirty-nine Russians were taken into custody, including M. Kuznetzoff, the former Russian Consul General at Mukden, and M. Melinikoff, the Consul General at Harbin. The Chinese report that a vast quantity of communistic literature was captured as well as arms and opium.

The Chinese, in explaining their motives for the raid, say first, that news had come to them that the cellar of the Consulate was being used for communistic meetings, and from this cellar issued red propaganda which was calculated to injure China and was in direct violation of the Russo-Chinese agreement; secondly, that having confirmation that Feng Yu-hsiang and Soviet Russia were in collusion, they hoped to obtain documentary proof of whatever agreement existed.

#7535

The second excuse is rather far-fetched. There may be some truth in the first, for without a doubt a communistic meeting was in progress when the raid was made and probably a deal of subversive literature was captured.

Repercussions of the raid are to be heard in Japan, where the affair is looked upon with some concern. It is felt there, and here, that an attempt was made in the incursion to prove that Russian employees of the Chinese Eastern Railway were guilty of spreading communistic propaganda, thereby opening the way for their replacement by Chinese. There is a decided effort on the part of Manchuria to recover the Chinese Eastern, and this is simply a step towards that goal. It will be remembered that at the first of the year the telephone system of Harbin, which had been installed and was operated by the Chinese Eastern, was forcibly taken over by the Chinese, this also with the ultimate end in view of driving Russia from power in Manchuria.

The Japanese view this action with alarm because they feel that should the Chinese succeed in obtaining the Chinese Eastern their next step would be to gain possession of the Japanese lines in Manchuria.

The Soviet Government has lodged a strong protest with the Nanking authorities over the raid, stating in part that

> "....since the Chinese authorities by their actions have clearly proven their unwillingness and inability to give consideration to the recognized principles of international law and intercourse, it will henceforth not consider itself bound by these principles in relation to the Chinese Mission in Moscow and to the Chinese Consulates on the Soviet territory, and that these representative Consulates will no longer be afforded the rights of extraterritoriality.
>
> "The Soviet Government declares that the U.S.S.R. under all circumstances is striving to preserve and maintain friendly relations with the Chinese people. The Soviet Government is forced, however, most resolutely to warn the Nanking Government and its organs against the further trying of the patience of the Soviet Government by provocative actions and violations of treaties and agreements".

The "China for the Chinese" idea is growing daily and is evidenced literally, from Harbin to Canton.

6. Miscellaneous Notes.

Death of Colonel Bauer. The death on May 6, 1929, of Colonel Bauer, of small-pox, is regarded as a serious loss to the Nationalist Army. Aside from the important role he played as military adviser to Chiang Kai-shek, he was engaged in training a special battalion of picked troops from the "Model Division" and various other army divisions. These picked troops were divided into infantry, cavalry, artillery, communication and engineering companies, and were directly under Colonel Bauer, who had five German assistants to help on their training, and are to be used as the nucleus of the future Chinese Army. Interest in German military science has been greatly stimulated by Bauer, and large orders of war materiel are being placed with German firms.

Colonel von Krivel, who was on his way to Nanking to be Bauer's first assistant, has been announced as Bauer's successor.

The Japanese Withdrawal from Hankow. In the Comments for the period December 15, 1928—January 15, 1929, it was reported that due to the accidental death of a Chinese coolie at the hands of a Japanese marine at Hankow, the Chinese there had demanded the evacuation of all marines from Hankow and an indemnity for the coolie's family. In answer to these demands the Japanese marines were formally withdrawn on the 31st of May and the indemnity demanded will be paid in full.

As there was no doubt in anyone's mind that the killing was absolutely accidental, the Japanese readiness to acquiesce in the Chinese demands is another indication of the change in the Japanese policy in China. They feel that they have borne the onus of the boycott too long, and are endeavoring to placate the Chinese wherever possible. Modifications in their policy are even to be noted in Manchuria.

The Chinese Press. As an example of what is appearing in the China press, the following is quoted verbatim from a report given out by the Kuo Min News Agency (governmental):

"Hankow, May 24 -- Special delegates of the Central Disbandment Committee to inspect and investigate into the size of the various military units in Hupeh arrived here from Nanking yesterday. The mission of the special delegates is to ascertain whether the resolutions adopted at the recent Disbandment Conference relative to the disbandment and reorganization of the various armies have been successfully carried out. Preliminary discussions relative to the method of investigation will be held between the special delegates and the local military leaders."

This in spite of the fact that at the time of the Disbandment Conference there were approximately 36,000 troops in the Hankow area and that now there are approximately 158,000.

No paper dare print anything which has not the sanction of the Kuomintang, and due to that fact almost all the news at the present time has a strong bias. Recently in Peking twenty-three sacks of newspapers were confiscated, and Chinese newspapers are closed forthwith if they venture to attack the Kuomintang or the government.

Yunnan and Kweichow Again. Acting under orders from Chiang Kai-shek, Lung Yun, the Governor of Yunnan, has invaded Kweichow and recent reports state that Kweiyang, the capital, has fallen and that the Yunnanese will cooperate with Ho Chien's Hunanese in the subjugation of the province. There has been bad blood between the military leaders of the two provinces for many years and a clash has been imminent for the past six months. If there is actual cooperation between Ho Chien and Lung Yun the pacification of the province will present little difficulty.

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COMMENTS ON CURRENT EVENTS

June 3—June 17, 1929

1. General.
2. The Military Situation.
3. Publicity Conference.
4. Miscellaneous Government Notes.
5. Anti-Japanese Agitation Continues.
6. Sino-Russian Friction in Manchuria.
7. The North Stirs.

RECEIVED G-2 W. D. JUL 24 1929

1. General.

The present bewildering situation renders any sort of speculation on the part of an observer a most hazardous procedure. The news of the past fortnight can be boiled down to a few items of fact and these are of little assistance in interpreting the issue between the government and Feng Yu-hsiang.

To mention the less important items first, all resistance in Kwangsi to the invading forces from Kwangtung and Hunan seems to have disappeared, and Kweichow is now in the hands of government adherents. T.V. Soong is in Canton faced with the problem of bringing order out of the financial chaos of the Kwang provinces. The National Publicity Conference was convened under the auspices of the Publicity Department of the Central Party Headquarters at Nanking on June 3rd, "for the purpose of systematizing and unifying party publicity measures throughout the country". The second general meeting of the Central Executive Committee was opened on June 10th.

Little change is evident on the surface of the mystifying Honan situation. Feng is now known to have concentrated his main forces in the area immediately west of Tungkwan and probably has covering forces westward of Loyang. His former subordinates, who allegedly have declared allegiance to the government, occupy the general area around Chengchow. The government columns from the east and south are moving cautiously into

Honan, justifiably suspicious that a trap may have been prepared by the wily Feng. No fighting is in progress, and at the moment it appears that Chiang Kai-shek does not dare send his loyal troops too far into the province. He urges forward his uncertain allies, old and new, but they too show no tendency to fritter away their resources in a situation where mutual mistrust makes cooperation impossible at this time.

The side-play of Feng and Yen Hsi-shan concerning their trip abroad is merely a recourse to Chinese dramatics in order to secure time for developments not yet evident. Yen Hsi-shan's attitude has caused Chiang Kai-shek the greatest concern and has necessitated his sending important delegates to Taiyuanfu to conduct serious negotiations. Yen again occupies a very strategic position and can exact high bids from Feng for neutrality and from Chiang Kai-shek for cooperation. The latter is in a humble mood toward Yen because of a recent political maneuver in which he alienated the Shansi leader from military cooperation.

Recent information relative to Feng Yu-hsiang's remaining strength makes it clear that his so-called collapse is not yet realized and the government is faced with organized opposition of great magnitude in the northwest.

2. <u>The Military Situation</u>.

<u>In the Southwest</u>. The only reports of the operations in Kwangsi, Kwangtung and Kweichow come from government sources which invariably are favorable. Nevertheless there remains no doubt that the organized opposition in these provinces has been dissipated. Due to the peculiar local relationships among the southwestern provinces and the confused politics within each province, what in print appears to be sweeping victories for the central government are actually shifting and re-grouping of forces with the authority of the government not greatly enhanced. Provincial or s ectional rivals have enlisted outside support, which in

this case is Nanking. The commanders of the victorious armies are a new group of "allies" supplanting old allies and their allegiance to Nanking or Chiang Kai-shek must be considered an impermanent factor.

The Kwangtung forces captured Wuchow without fighting on June 2nd. By June 7th, their advance elements had reached Tenghsien. On the same day Ho Chien's Hunanese entered Liuchow. The capital at Nanking is the next objective. There seems to be so little fighting that the invasion appears political rather than military.

Yunnanese troops had entered Kweichow by June 4th and operated against the capital together with Li Yen, the local rival to the governor, Chow Hsi-chen. The latter was dismissed by Nanking as Chairman of the Provincial Committee on June 7th, and on the 10th Lung Yun of Yunnan reported the capture of Kweiyang and the flight of Chow Hsi-chen.

In eastern Kwangtung, the pro-Kwangsi elements still hold out in the area north of Swatow but since the flight of Hsu Ching-tang from Swatow their resistance has not been serious. Chang Tseng is returning with his expedition to Fukien where he has been ordered to suppress the bolshevik-bandits, Chu Teh and Mao Cheh-ting, on the Fukien-Kiangsi border.

In Hona n. Stripped of details there have been few military changes since the last report. Those troops of Feng Yu-hsiang which declared their allegiance to the central government occupy the area south and west of Chengchow. Aside from Nanking official despatches, no confidence is expressed anywhere that these units are genuinely subservient to the government. While some excellent sources believe that they really have broken with Feng, they still express doubt as to their future conduct.

The leading elements of Ho Ying-chin's government troops hesitate to advance farther north along the Kin-Han Railway than Mingkiang. The railway is repaired as far as the Yellow River. Tang Sheng-chih has occupied Kaifeng and Fang Chen-wu is at Chowkiakow. There seems to be a

tendency on the part of Chiang Kai-shek to urge his dubious allies forwafd while he keeps his trusted troops from becoming involved. Negotiations have been in progress with Han Fu-chu, and there continues to be much mutual suspicion among all the commanders. The Japanese say that Chiang Kai-shek is meeting with considerable resistance in Nanking on the part of a group who favor compromise with Feng instead of further civil war. The general meeting of the Central Executive Committee, now in session, for some reason is loath to discuss the government's future action vis-a-vis Feng.

Feng Yu-hsiang is now known to have concentrated his main force in the area immediately west of Tungkwan Pass. Roughly one-third of his troops went over to the government but Feng is now estimated to have from 150,000 to 200,000 men. Aside from his main concentration, other bodies of his troops have been reported on the upper Han River and on the frontier of Szechuan. He still is believed to have covering forces somewhere between Loyang and the Tungkwan Pass.

From the observations of a recently returned foreigner (see Report No. 7546), it appears that Feng is far from a negligible factor. His troops are well-fed, highly disciplined, well clothed, and seem to have an aggressive spirit. Having given up his arsenals at Kaifeng and Kunghsien, his reserves of munitions must be limited. He has always been handicapped in this respect and lately has not been able to purchase from abroad. He nevertheless has several small plants in Shensi where small arms ammunition, trench mortar ammunition, and repairs are made. Feng's troop dispositions are such that they are available for rapid debouchment from Tungkwan if a favorable opportunity appears. Feng exacts from his soldiers and the inhabitants such great secrecy that little can be learned as to his real intentions. He and his commanders circulate almost entirely at night, and his troop movements generally take place after dark.

The same observer states that Feng is thoroughly detested and feared by certain classes of the Shensi people. In a famine area, his troops have already systematically seized the greater part of the summer harvest and distress will inevitably result among the populace.

In view of the large Kuominchun concentrations on the southwest border of Shansi and the relatively small Shansi garrisons facing it, one is led to suspect that Feng and Yen have come to some understanding as to neutrality for the present. The active circulation of both Chiang Kai-shek's and Feng's delegates in Taiyuanfu has led to endless speculation, but no one can know what definite attitude, if any, Yen Hsi-shan has adopted. In general it is believed he is urging a cessation of civil war somewhat to the embarrassment of Chiang Kai-shek.

Despite the great difference in strength and economic resources between the two forces, any attempt at estimating the probable outcome of a war between the government and Feng Yu-hsiang by comparing military factors is useless as long as so many obscure political factors exist. Some of these are: The attitude of Yen Hsi-shan; the real position of Feng's former subordinate; the possibility of further desertions from Feng; the very uncertain allegiance of Tang Sheng-chih and Fang Chen-wu; the possible obstruction of civilian party leaders to Chiang's positive policy.

3. Publicity Conference.

There has unmistakably been a gradual lowering of the moral prestige of the government since the time when the high hopes created by the Disbandment Conference were dispelled by the war on the Kwangsi clique. Today the party and the government not only cannot be said to be popular but large parts of the population hold that the government has been usurped by a small clique and that clique is unpopular. This is being appreciated by the Nanking leaders. In Shanghai I heard that discreet personal questioning was being made by certain l eaders as to the cause of the coolness of the people toward them.

#7545

It is probably in recognition of these facts that the Publicity Department of the Central Party Headquarters has found it advisable to call a National Publicity Conference "for the purpose of systematizing and unifying party publicity measures throughout the country and adopting a nation-wide program of publicity". The opening meeting was held on June 3rd. At the first business meeting, the Secretary of the Publicity Department pointed out that the Party's publicity work had been handicapped in the past by the following three main defects: (1) Lack of a system of centralization and cooperation, (2) stereotyped methods which have long outlived their usefulness and (3) neglect of party publicity in foreign countries.

"While the majority of our people are familiar with the terms and importance of the Principles of our late Party Leader, the Secretary said, "very few of them really understand the meaning and significance of these principles in relation to the future welfare of the nation."

The resolutions adopted by the conference give a good indication of the present moderate political ideas which the Party leaders hope to propagate and for which they hope to gain public approval (see Report No. 7547).

4. Miscellaneous Government Notes.

The second general meeting of the Central Executive Committee was formally opened at Nanking on June 10th. Twenty-four regular and eighteen reserve members were present. Thus far there have been no announcements of important resolutions adopted although very comprehensive party and political measures have been discussed. No public statements have been published relative to the attitude of the C.E.C. toward the quarrel with Feng Yu-hsiang. Wang Peh-chun was elected a member to replace Feng Yu-hsiang, previously dismissed.

On June 3, the Japanese, Italian and German ministers formally presented their credentials to Chiang Kai-shek.

On June 5th, T. V. Soong, with a large body of Chinese advisers and two members of the Kemmerer mission, left for Canton to undertake the task of reorganizing the finances in Kwangtung and Kwangsi.

Due very largely to the efforts of T. V. Soong, the order proscribing the North China Daily News was cancelled on June 6th. The threatened agitation for the extradition of the American journalist, Mr. G. E. Sokolsky, was started by certain officials who are political enemies of Mr. Soong during his absence in Hankow. The latter has boldly blocked such agitation and publicly shown his support of Mr. Sokolsky.

5. Anti-Japanese Agitation Continues.

Mr. Yoshizawa, Japanese Minister, has frankly discussed his concern over the organization in Nanking of an "Association for Expediting the Cancellation of Unequal Treaties", which he states is no other than the Anti-Japanese Society under another name. Mr. Yoshizawa says that the new association is the union of all anti-Japanese societies, sponsored by the party central, having as its object the "severance of economic relations" with Japan until unequal treaties have been cancelled. He greatly regrets that the negotiations for the revision of the commercial treaty, the first meeting of which was held at Nanking on June 2nd, will have to take place in an atmosphere directly influenced by a powerful organization of decidedly threatening character. "That economic relations with Japan should be kept ruptured as long as the so-called unequal treaties remain in force must be said to be a menace to those who will take part in the negotiations", Mr. Yoshizawa is quoted as saying.

It would be wholly gratifying to see militant Japan humbled before a China wielding only the bloodless economic weapon if one could be sure that the unassailable defense would be relaxed when the unequal treaties disappear. The weapon has been used offensively by China with her more primitive neighbors and may become the arm par excellence of new imperialism in a wide field.

6. Sino-Russian Friction in Manchuria.

Following the raid by Manchurian authorities on the Soviet Consulate General at Harbin, described in the last Comments, there have been made public no convincing proofs of any large Soviet plot against China. The usual evidences of loathsome Russian espionage and underground political activities were brought to light, and doubtless the names of many Chinese agents in Russian employ have been obtained. The "Week in China" states as follows:

> "The recent raid by Chinese police on the Russian consulate at Harbin has been followed by the development of marked tenseness in the relations of the two countries. Russia formally protested against the raid, and then, according to reports through the official Tass news agency, intimated that it might deny the customary extraterritorial rights to the Chinese legation and consulates in Russia if China continued to violate international etiquette.
>
> "Speaking to a group of newspapermen in Nanking on June 6, Foreign Minister Wang said that though formal diplomatic relations had been broken off between China and Russia, China maintained a diplomatic representative in Moscow and consulates elsewhere, while Russia had consular officers in North China. If, however, Russia denied extraterritorial rights to official Chinese representatives in Russia, all these would be recalled. The Chinese government is moving cautiously in dealing with Russia, however, he said, and the Soviet government's opinion on the Harbin consulate raid has been sounded. The raid itself was carried out because of the Soviet plots against the security of the Chinese republic, Dr. Wang declared.
>
> "The Chinese charge d'affaires at Moscow has returned to Nanking to report on conditions. He is expected to go up to Harbin shortly to look into the raid question.
>
> "When the Soviet consul at Mukden——who was among those arrested at the time of the Harbin raid, but was later released——tried to leave China for Moscow, he was stopped at Hailar. Subsequently, however, he was again released (June 5) and proceeded to the consulate at Manchuli.
>
> "The opinion is fairly generally held that the raid on the Soviet consulate at Harbin was in part at least a move toward the realization of the Chinese desire to get control of the Chinese Eastern Railway."

Various rumors have been current of Soviet military activities on the Manchurian frontier, and of an invasion by Mongol troops under Russian officers as far as Hailar. No confirmation whatsoever can be obtained to substantiate the rumors. Whereas the source of these reports has been ascribed to White Russians, there exists a suspicion that the Chinese authorities might have found it expedient to create an atmosphere justifying the raid on the Soviet Consulate.

7. <u>The North Stirs.</u>

Since completing the foregoing sections of the Comments, some very pertinent rumors have begun to circulate which, taken with certain known facts, build up a story which promises some extraordinary developments in the near future. The present involved situation cannot last. The antipathy for the Kuomintang among the public generally is certainly increasing. In fact the Kuomintang as a cohesive party is already well on its way to destruction. The right wing group at Nanking has expelled a large section of the Party, and what is left has alienated the confidence of the people. The military leaders everywhere are only waiting for a chance to make new combinations and to expel Chiang Kai-shek. As expressed to me by a well informed Chinese, not only is the present personnel at Nanking doomed to extinction, but the Party itself will ultimately lose its present significance and power.

In its broadest aspects, forces are in process of forming whereby the North will attempt to slough off the alien influences from the South. The Party has disappointed the South; in the North the Party is detested. All northern Chinese feel a loss of face over the developments of the past few years which resulted in their submission to southerners. There is always a Cantonese back of the nefarious local party activities and this man is invariably hated. Slowly but surely the North is re-forming ing against the South. This is the general setting.

Specifically, what are some of the facts? In the spring there was a meeting of representatives of the Peiyang Military Party in Dairen. This meeting refused to sponsor Chang Tsung-chang's adventure, but was concerned with bigger things for the future. Ever since then there have been suspicious movements of northern military leaders, as if some comprehensive plan had been adopted. Yen Hsi-shan has had negotiations with Feng Yu-hsiang (personally it is believed), and has grown astoundingly frank in his objection to Chiang Kai-shek's war policy. In fact since

Yen's return from the Disbandment Conference he has been notably cool toward Nanking. He stated to the British Minister, "If what I saw at Nanking is the result of the revolution, I question my wisdom in participating". In the confusing troop movements of the past few months, the results have been peculiar. Fang Chen-wu is in Anhwei, Chen Tiao-yuan is in Shantung and Tang Sheng-chih is near them in eastern Honan. In other words, the Peiyang Military Party controls the whole of the Tsin-Pu Railway. Yen Hsi-shan occupies Shansi and Chihli. Between him and Fengtien, north of the Lwan River, is Yu Hsueh-chung, nominally a Fengtien man, but actually an ex-Wu Pei-fu general.

Chiang Kai-shek has not a dependable subordinate left in the North except immediately around Nanking and on the Kin-Han in southern Honan.

It is now rumored that a declaration against further fighting is about to be issued by the following five generals: Yen Hsi-shan, Fang Chen-wu, Tang Sheng-chih, Liu Chen-hua (whose troops are now in northern Honan), and Chen Tiao-yuan. If true, this means not only an impossible loss of face for Chiang Kai-shek but the crystallization of the old Peiyang Military Party, and an accouncement that the North will challenge southern domination.

I have been informed by a reliable Chinese source that quite recently Feng Yu-hsiang has urged Tuan Chi-jui to emerge from retirement and has offered to proceed at once against Chiang Kai-shek if Tuan will accept the presidency. It was added that Yen Hsi-shan is not believed to be averse to the idea. If this be true it looks as if the North is gradually coming together, at least sufficiently to present a common front to Chiang Kai-shek.

The present situation has developed slowly into one which, by the mere agreement of a common front against Chiang Kai-shek, the North would be separated from the South without a battle. Whereas one can never

be sure of any details in Chinese political maneuvering, and whereas situations scarcely ever develop as the leaders plan them, the evidences from the general and specific facts as known today cause me to feel justified in reporting that developments along the general lines indicated above should not be considered unexpected or improbable. I have always felt that northern militarists could not sit by supinely observing their successive elimination by another militarist, and that ultimately northern Chinese would not fail to rise against Cantonese imperialism.

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COMMENTS ON CURRENT EVENTS

June 18--July 15, 1929.

1. General Summary.
2. Sino-Russian Relations.
3. The Big Four.
4. Allocation of Returned Boxer Funds.
5. Britain and the Chinese Navy.
6. The Belgian Concession in Tientsin.
7. Miscellaneous Notes.

RECEIVED G-2 W. D. AUG 19 1929

1. General Summary.

Affairs in Manchuria have assumed an aspect fraught with danger since the Manchurian authorities seized control of the Chinese Eastern Railway. The fact that the railroad is of vast economic and military value coupled with the "China for the Chinese" idea, has long caused China to turn envious eyes northward. After the Chinese had assumed control, closed Russian trading concerns and deportedmany citizens of the U.S.S.R., an ultimatum was handed the Chinese Minister in Moscow for transmission to Nanking demanding a reversion to the status quo ante in three days. Movements of small bodies of troops on both sides of the frontier may lead to a clash, but the general opinion is that actual hostilities will be avoided. Chang Hsueh-liang, the Manchurian leader, according to the latest report is still in Peitaiho.

The Feng-Chiang controversy has been shelved for the time being--an agreement having been reached whereby Feng and Yen Hsi-shan both remain in China, the former residing in Shansi, while the latter takes charge of the disbandment of both the Shansi troops and the Kuominchun. Three months have been alloted to this task at the end of which Feng and Yen may go abroad with Chiang's blessing.

From M/A, China Report No. 7558 July 18, 1929.

It is impossible, however, to see any more than temporary relief in the agreement, since Chiang's main purpose was to eliminate Feng, and Feng still remains and in closer accord with Yen Hsi-shan than ever.

The proposal to make a bond issue on the Returned Boxer Indemnity, ifacceptable to the Powers concerned, will enable the present government to do something really constructive at last.

An agreement has been reached between China and Great Britain whereby ten or fifteen of Chinas naval officers are to study naval affairs in England and Britain will send a Naval Mission to China to act in an advisory capacity on Naval affairs to the Nanking Government.

The reported resignation of T. V. Soong, Minister of Finance, will leave a vacancy which will be difficult to fill. His able handling of financial matters has had much to do with the success of the present government.

2. Sino-Russian Relations.

In the "Comments" for May 21--June 3, 1929, it was remarked that the raid on the Soviet Consulate at Harbin was undoubtedly a step in the taking over of the Chinese Eastern Railway. This statement seems to be borne out by recent events in which the Chinese evince a supreme contempt for the Soviet and its power,--as well as the desire to gain control of the Railway which has now an income of 20,000,000 gold rubles a year. China evidently considers that she may go to almost any lengths with Russia without fear of the consequences.

In the so-called "Mukden Agreement" of 1924, paragraph 2 reads: "Both contractive parties agree not

to permit within their territories the existence or activities of groups or organizations designed to struggle by acts of violence against either government; also a similar mutual engagement not to engage in propaganda against each other's political and social systems." China claims that in the raid on the Harbin consulate, evidence was found proving that Russia had disregarded the provisions of this agreement. While it is probably true, no evidence supporting the claim has been published, and observers in China are inclined to believe that such evidences of duplicity as may have been found are only serving as a foil for China's long cherished ambition to gain control of the Chinese Eastern Railway. Sun Fo, the Minister of Communications, said in Nanking on July 14th that his ministry "had long planned to take over the Chinese Eastern," and C. T. Wang's recent conference in Peking with Marshal Chang certainly concerned the seizure. It is reported that on the occasion of the celebration of Chang Tso-lin's death in Mukden on June 3rd the decision was reached to take this action, and that at that time telegrams were exchanged with Nanking on the subject.

During the night of July 9th and 10th the telegraph system of the Chinese Eastern was seized by the Chinese authorities and on the 11th the telephone system and all staff departments were taken over. The Russian General Manager and his assistant were ousted, as well as all Russian heads of departments. Their positions were filled with Chinese and at this writing the railway is being run and controlled by Chinese with a few white Russians in minor capacities. On the 11th all of the Russian

concessions, dating back to the opening of the C.E.R. were closed, as well as Soviet Trade unions, and the Trade Mission of the U.S.S.R. On the 15th the Chinese Land Administration took over the Land Department of the railway. Over 100 deportations were made soon after the seizure.

On July 14th the Soviet government handed the Chinese Minister in Moscow an ultimatum which treated in full the various grievances of the U.S.S.R. and stated succinctly, "That the government of the U.S.S.R. is therefore compelled to remind the Chinese authorities that it possesses sufficient means necessary to prptect the lawful rights of the peoples of the U.S.S.R. against any violent attempts," and that:

> "The Soviet Government accordingly proposes the following:
>
> 1. To call immediately a conference to regulate the questions connected with the Chinese Eastern Railway.
>
> 2. The Chinese authorities shall immediately cancel all the arbitrary orders regarding the Chinese Eastern Railway.
>
> 3. All arrested Soviet citizens are to be immediately released and the Chinese authorities shall cease all persecution of Soviet citizens and Soviet institutions.
>
> "The Soviet Government proposes to the Mukden Government and to the National Government of the Chinese Republic to weigh the serious consequences which the rejection of these proposals will have.
>
> "The Government of the U.S.S.R. declares that it will wait three days for the answer of the Chinese Government to the proposal stated above and warns that in the event of not receiving a satisfactory reply, it will be compelled to resort to other means for the protection of the lawful rights of the U.S.S.R."

It is interesting to note that in 1927 Comrade Karahan urged that "Chinese Treaties not only should be revised; they should be torn assunder, abolished because they strangle China." Karahan was speaking of the Imperialistic

treaties and had little thought of the Frankenstein his words might become. Be that as it may, both parties are guilty of violation of the 1924 agreement; Russia, as previously stated by subversive propaganda within Chinese territory, and China by seizure of the Railroad in retaliation. China has been dealt with so leniently in the past that she is developing a braggadacio which may be her undoing.

If the Chinese answer the Russian ultimatum within the prescribed time limit the question will undoubtedly be settled without resort to force, but if she does not, it would seem that the experience China has gained in nineteen years of internecine war fare may become of some use against a foreign foe.

As this "Comments" closes, reports indicate the movement of small bodies of troops toward each frontier, and while it is not believed that actual war will eventuate, the situation is grave.

3. <u>The Big Four</u>.

The recent conference between the Big Four, Chang Kai-shih, Feng Yu-hsiang, Yen Hsi-shan and Chang Hsueh-liang and the negotiations leading up to the truce between the Central Government and Feng form for the student of Chinese psychology and politics one of the most illumating pages in history. To the foreign mind the whole affair was baffling and to the credit of the foreigner let it be said that to all but a very few Chinese there was very little light.

To envissage the manner in which the agreement was reached, partly through the love of compromise and

partly through the fear of direct action, it is necessary to trace the progress of the negotiations step by step.

On June 14th the envoys of Chiang Kai-shih had reached Tai Yuan Fu and called upon Yen Hsi-shan, who it will be remembered had become the "middle man" of the negotiations. At that meeting Yen intimated that there was a probability that if Feng were advanced money for the payment of his troops, he might go abroad, but there were no concrete results from the visit and Chiang's negotiators returned crestfallen to Nanking.

On the 16th, 17th and 18th warlike tidings were heard from Nanking. Chiang was preparing to attack Feng --plans for the attack were drawn up--commanders selected. On the 20th, 21st and 22nd acting on orders from Kuomintang headquarters fiery demonstrations were held in Shanghai and Nanking against Feng. He was burned in effigy; he was reviled; and nothing was left unsaid to discredit him in the mind of the people.

Yen in the meanwhile had at last persuaded Feng to confer with him in Shansi and on the 19th Feng with a very small body guard of twenty odd men arrived in Yen's province.

It was remarked that while all this was transpiring, the C.E.C. was in session and still hadn't promulgated a punitive mandate against Feng. Evidently they were withholding this until every bomb in the conciliatory rack had been exploded. (There is a Chinese Proverb which runs, "Don't utter dead words" which roughly means, always leave yourself and the other fellow some ground to stand on.)

On June 22nd Feng and Yen had their first meeting and Nanking was startled by a telegram from the Shansi commander resigning his position in the Central Executive Committee and from all his concurrent posts, and stating that he was going abroad with Feng. This, of course, would have been a hard blow to the Central Government since it would leave the northwest without the known quantity, Yen, and would invite farther disorders in both Yen's and Feng's domains. Furthermore, it would have meant a serious loss of face to Chiang, since he had at one time agreed to leave China with Feng and Yen when the military phase of the revolution was complete.

The President of China with a truly noble gesture, came hurriedly to Peking arriving on June 25th. He desired to get in closer touch with both Yen and Feng; to persuade Feng to go abroad, and Yen to remain in Shansi; and to be in a place where he could himself do something without trusting all to the hands of agents. On the same day that Chiang arrived in Peking, Feng reached Taiyuanfu with another brave gesture, as he placed himself and his small body guard absolutely in Yen's hands in a manner not common among Chinese militarists.

From the moment that Chiang reached Peking his efforts were directed towards persuading Yen to come to Peking, and that he finally persuaded after Yen's pointed refusal--and got Chang Hsueh-liang down from Mukden too--bears out the opinion rendered of his political skill in the past. Yen arrived in Peking on the 30th and announced that on July 5th he and Feng were sailing abroad from Tangku. Then there came a series of moves hard to follow.

Yen made reservations on July first's train back to Taiyuan, was persuaded to defer his departure until the next day so that Chiang might see him again, and at that conference he announced that he would leave definitely the next day. On the next day, July 2nd, he went to the German Hospital in the Legation quarter with a slight stomach upset. From that time he was under terrible pressure from Chiang, who through all their mutual friends, both in person and by wire, begged him to remain. Yen still stood firm saying that as he had promised Feng to go abroad with him, he must go.

On July 6th emissaries of Feng reached Peking, and on the 7th with a guard of 1,200 well turned-out soldiers Chang Hsueh-liang arrived, and on that same date a compromise was reached in which Yen agreed to remain for three months to see that the reorganization and disbandment of his army and that of Feng was completed, and that Feng would remain in Shansi, turning over the disbandment of the Kuominchun to Lu Chung-lin.

The above sounds very puerile, but it is Chinese, and it seems that each party to the negotiations won, and the status quo exists. For Chiang persuaded Yen to remain in China; Yen merely post-poned his departure; and Feng's troops are to be put in charge of his trusted lieutenant, and he, Feng, will receive money for their pay and all the time remain close to them.

Merely a post-ponement, but highly satisfactory to Chiang Kai-shih in that it gives him three months to work out another line of action.

It is not believed that Chang Hsueh-liang took a very important part in the negotiations leading to the compromise. He came down on business connected with the Russian situation, but the fact that he was here meeting Chiang for the first time, and meeting his father's opponent, Yen, gave Peking a stir and a bustle not seen for many months. Many were the rumours, and the one which the shopkeepers passed from mouth to mouth with the greatest éclat was that "at last the Capital has moved back to Peking!"

4. Allocation of Returned Boxer Funds. At the 4th session of the Second General Meeting of the 3rd Central Executive Committee in the middle of June it was resolved to use the returned Boxer Indemnity funds as a basis for a bond issue for purposes of construction and conservancy. Two-thirds to be used in Railway construction and one-third for water conservancy and steam and electrical projects. And as a very poor sop indeed it was stated that "The profits derived from these railways and other reconstruction enterprises which are to be completed or instituted with appropriations from the Returned Boxer Indemnity Funds, be all appropriated for Higher Education."

This resolution comes from Sun Fo's plan to use two-thirds of the quotas of the Russian, British and Italian Returned Indemnity as a security for a bond issue of $135,000,000 with which to build railways in China.

There is nothing unsound from a financial standpoint with Sun Fo's scheme, but the Central Executive Committee in passing their resolution have overlooked the fact

that neither Great Britain, Italy or Russia returned the Indemnity without some qualifications. In the case of each government the use to which the funds were to be put was specified, and stress was laid upon its use for education.

If education could be taken care of in other ways there is no better use than that of railway construction to which the funds could be placed. But the Powers must be interviewed first and while it is not likely that any but Russia will object, there will in all likelihood be "riders" to their acquiesances calling for railway supplies to be bought in England with English money and in Italy with Italian.

Should Sun Fo's plan come to fruition, enormous strides may be expected in railway development within the next ten years. Few railway supplies however, will be purchased in the United States.

5. Britain and the Chinese Navy.

The Chinese Government on July 1st made announcement that an agreement had been signed with Great Britain providing for the training of Chinese naval cadets in England and the engagement by the Chinese Government of a British Naval Mission to assist in the development of the Chinese Navy, and furthermore "that it is understood that it is China's intention to contract for the construction of Naval vessels in England." The British Military Attache states that arrangements have been made to send ten naval officers to England for study, but that nothing has been arranged about the construction of Naval vessels. The

building of ships would seem to follow the instruction of the officers were it not for the fact that it takes money to build ships and China is bankrupt now. It may follow in due course, but at the present time aviation is looked upon by Chang Kai-shih and his generals as more important and less costly than naval construction.

6. The Belgian Concession in Tientsin. During the period under review negotiations were commenced and broken off for the retrocession of the Belgian Concession in Tientsin. The return of this Concession is of importance to interested foreigners in that it may be another precedent for the return of other concessions; and to the Chinese largely as a moral issue. The concession is not large, and is not thickly built up, and will be of no great tax value. Its surrender is of no great economic importance to Belgium.

In January, 1927, on the eve of negotiations between Dr. Wellington KOO and the Belgium Minister, the latter stated that he was empowered to "return to China all rights conferred by the convention of February 6th, 1902, in the area of land known as the 'Belgian Concession at Tientsin,' reserving only property rights."

Negotiations were nearing a happy conclusion when the violence of the local Kuomintang towards Belgian employees of the Tramway caused the Belgian Minister to leave the conference and state that negotiations could not be continued until a more friendly attitude was apparent towards Belgians on the part of the Chinese.

Doubtless negotiations will be resumed, but the cruel manner in which Belgians were beaten in the actual

presence of policemen, gives a pause to some of the advocates of"the return of everything" to China.

7. Miscellaneous Notes.

Reported Resignation of T. V. Soong. T. V. Soong is regarded as the most capable man that the Chinese Republic has had at the head of the Ministry of Finance. Prior to accepting the post which he now holds, in 1926, he was Commissioner of Finance for the Kwangtung Provincial Government. He has, therefore, been in charge of the finances of the present Government ever since the inception of the plan of northern invasion, and has been an important factor in at least keeping the sinking ship of Finance afloat.

As the "Comments" close his resignation and its acceptance have been announced in the local papers, and usually reliable sources of information confirm the report.

Soong, as the brother of Madame Sun Yat-sen, Madame Chang Kai-shih and Madame H. H. Kung, has been in a position to get support such as no other man would. Not only because of his financial ability, but also due to the power he has been able to wield through his relatives, he would be a particularly hard man to replace. The reason given for his resignation is his resentment of the opposition given to his plans for China's financial rehabilitation.

Control of Radio Services. The struggle between the Ministry of Communications and the National Reconstruction Committee for the control of Radio Services in China was settled by the Central Executive Committee on June 17th when the decision was reached to place radio control exclu-

sively in the hands of the Ministry of Communications.

It will be remembered that this quarrel is of long standing, both parties claiming control and both signing contracts for the erection of stations. It is not yet known whether contracts made by the Reconstruction Committee will receive the sanction of the Ministry of Communications.

Han Fu-Chu. In the last few "Comments" the question as to whether Han Fu-chu's defection was genuine or not has often been raised. I am informed by Shang Chen, Yen Hsi-Shan's right-hand man, that Han has actually betrayed Feng, as has Ma Hung-kuei and Shih Yu-san.

Han has found himself in a very paradoxical position. Though governor of Honan, all but a few thousand of his soldiers have deserted him and gone back to the Kuominchun, and he is no match for the strength of Tang Sheng-chih whose troops are surrounding him. Accordingly he has asked the Nanking Government to relieve him of his governorship. He may be a trifle richer, as the Nanking Government gave him $350,000, but he is also much wiser. It is the first case to my knowledge where treason in China has met with anything but the greatest rewards. The platitudes in the old "Primer" may be right after all.

Postal Holidays. The degeneration of the Postal Service since the inauguration of the new regime and the Postal Trade Union, has been marked. The service has been slowed up, and is much less efficient than it was of old. The Postal Commissioner in Peking spends a part of each day in conference with representatives of the Postal Union, and

gone are the days when he can discharge a man or enforce a rule. Quite often he comes to his office to find a sign on the bulletin board signed by some committee, to the effect that "Today is a holiday". In the last thirteen months there have been more holidays taken by the Postal employees than there had been in the previous 17 years. The control is really in the Unions, which strongly backed by the local Kuomintang, need constant placation by the officials theoretically in charge. And the Chinese Postal Service, at one time, was one of the most efficient in the world.

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COMMENTS ON CURRENT EVENTS

July 16—August 12, 1929

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RECEIVED G/2 W. D. SEP 13 1929

1. General Summary.

The center of the stage, as far as China's affairs go, in world interest, is the Sino-Russian situation. In China the local gossip——in Peking the summer rains, in Hankow the Yangtse's rise—— eclipse the Russian question in the interest of most of the inhabitants. Whatever the verbal broadsides delivered from Nanking, the people are not greatly interested.

A change has come in the tenor of the Sino-Russian relationship since the Tsai-Melnikoff pourparlers at Manchouli have broken down, and it begins to appear as though Russia, in spite of foreign opinion, might send an army of occupation into Manchuria. If Japan consents to a temporary occupation, there would seem to be little danger of any violent repercussions from such a move.

The triangle of Chiang, Feng and Yen is becoming less and less isosceles. Chiang is gaining in strength day by day, and both Yen and Feng are desirous of going abroad for a vacation. Yen, since the Revolution of 1911 the Model Governor of Shansi, has resigned his governorship. While he originally gained his power through murder, he has held it with honor, and Shansi should mourn his loss.

The Second Disbandment Conference has recently adjourned in Nanking, having appointed a committee to carry out its pronouncements, which include the reduction of the army from about 2,225,000 to 800,000, and the payment of some $30,000,000 in back pay to the soldiery. While

earnestly desiring the fulfilment of every regulation enacted at the conference, the observer can not but remember the first Disbandment Conference which met in January of this year, which also reduced the army to 800,000 men on paper, and also appropriated millions for its purposes. The 800,000 men have increased to 2,225,000 and many of the millions have found their clandestine way into the overcrowded personal moneybags of the military.

The C. E. R. Imbroglio.

The slowness with which the settlement of the C. E. R. affair is proceeding is a barometer of the psychology of the contestants. The whole gamut of human passions has been run from the picture of China's President hammering on the doors of the empty Waichiaopu with the Russian Ultimatum in one hand seeking advice from a vacationing foreign staff, to bruised and bleeding Russians being battered through the streets of Harbin. And now there appears to be stalemate.

The world is given the spectacle of Nanking attempting to settle Manchurian affairs with the Russian Government with which she has no diplomatic relationship, against the wishes of Manchuria. In Manchuria it is felt that this C.E.R. affair is a Manchurian question; that if Nanking settles it Nanking may insist upon a fair share of the profits of the C.E.R.——and Manchuria needs the money, all of it.

The history of the negotiations conducted at Manchouli between Mr. Boris Melnikoff, the Soviet Consul General at Harbin, and Foreign Commissioner Tsai Yung-sheng, of Kirin, is absolutely not Russian-Chinese but Manchurian-Chinese. Mr. Tsai's proposals were practically accepted, since they were:

1) The ousted Soviet employees to be released.

2) The Soviet Government to appoint the manager and assistant manager of the C. E. R.

3) To call a conference of plenipotentiaries of both governments to regulate the controversy as speedily as possible.

4) The Soviet Government may declare that it does not recognize the order of things established and that this does not obligate it in future negotiations.

5) If the Soviet Government accepts these proposals, Chang Hsueh-liang will request the agreement thereto of the Nanking Government.

These five points were acceptable to Russia with the exception of proposal 4, which Russia desired to read, "Both parties recognize that the situation on the C. E. R. created after the dispute is subject to change". Surely not a matter of grave difference. But in making these proposals either Foreign Commissioner Tsai was representative more of the Kirin Government that he was of Mukden, or they were misunderstood, for Chang Hsueh-liang by letter made proposals which completely omitted Tsai's proposal that the Soviet should appoint a manager and an assistant manager of the railroad, and proposed a legalization of the situation created by the seizure. The representative of the Nanking Government, Mr. Chu Shao-yang, former Chargé at Moscow and newly appointed Minister to Finland, was given a very cold reception by the Chinese at Harbin, and the Russians declined to see him since they have no diplomatic relationship with Nanking.

It is seen that though there is no accord between Manchuria and Nanking, neither is there any great accord between Kirin and Mukden. The more distant the spot from the C.E.R. the more haughty the Chinese demands. Could the Kirin authorities be left alone to conduct the negotiations, no great time would be lost in reaching an amicable settlement.

What Russia's plans are is open to conjecture. That she will insist upon a practical return to the status quo before opening formal negotiations seems certain. If it appears that this status quo may not be obtained, it seems more and more likely that in spite of world opinion she may resort to drastic measures.

At the present time a campaign of sabotage is being carried on all along the C. E. R. At Harbin a turn-table was damaged; tracks were torn up and explosives found between Harbin and Suifenho, causing the Chinese military at the latter point to wonder about their line of retreat in case of trouble; a train was blown up west of Harbin; a bridge was wrecked. Demonstrations are being held by Russian forces along the frontier, where artillery practice is being carried on, squadrons of airplanes fly back and forth, and armored trains go menacingly by. What effect these demonstrations and the sabotage will have it is difficult to say. They are based upon a clearer knowledge of the Chinese reaction than we have, and may have the desired effect. To us it would be the red flag, but it may lead the Chinese to think a second time.

Those who are in closest contact with the situation consider that it is growing more and more likely that Russia will occupy North Manchuria. The Japanese would not object, if the occupation was temporary, and it may be that China will not pay any attention to Russian demands, until after such an occupation occurs. The Chinese are basing all their actions on the premise that Russia will not fight. If the premise is sound, well and good, but if faulty, North Manchuria might be in Russian control any day. That China's army would offer any serious opposition to a determined Russian effort is not contemplated by foreign observers. Russia's march into Manchuria, if march she does, will not differ to any great extent from Japan's periodic voyage to Shantung.

The papers confiscated in the raid on the Soviet Consulate in Harbin on May 27th have been published in translation. A perusal shows that undoubtedly the C.E.R. was being used to further Communistic propaganda in China. If used in a legal manner, this literature would have gone far towards attaining Manchuria's aim——the control of the C. E. R. But the impartial observer fails to note in their contents any valid excuse for the seizure of the railroad. Manchuria might have put an end to this propaganda without resorting to the extremes she used.

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There seems to be only one point on which all officialdom, and one might well say articulate China, is united, and that is that if Russia uses force the blame shall be Russia's. The Chinese press, Chinese officialdom, and the intelligent Chinaman have all agreed on that point at least, and propaganda goes abroad with that object in view. It is reported that China has already prepared its appeal to the League of Nations in case there are hostilities, and that she is now sowing the seeds which she hopes to see bloom in world disapproval of Russian action and world sympathy with China.

Perhaps the most startling phase of the situation to the Westerner is the apathetic way in which the Chinese have regarded the whole situation. There have been well directed demonstrations, yes, but there has been no sign of any spontaneous patriotism or general enthusiasm on the part of the man in the street. This lack of enthusiasm practically precludes any coordinated military action on the part of the Nanking Government.

3. Chiang, Feng and Yen.

Since the last Comments when it was reported that Yen, "The Model Governor" had returned to Shansi, and that "The Christian General" Feng had taken up his residence near Taiyuanfu, also in Shansi, there has been a cessation of activities anti-Feng on the one hand and anti-Chiang Kai-shek on the other.

The National Government has made frequent attempts to force Yen to accept the post of Commander of Frontier Defense for the Northwest. Yen however remains firm in his adherence to his original statement, that after the reorganization of his troops and those of the Kuominchun, he will go abroad with Feng Yu-hsiang. Both Feng and Yen seem determined to effect this journey, and it will benefit Chiang Kai-shek to the extent that Feng is going and injure him in that Yen is leaving also. For Yen Hsi-shan is the best informed and most influential official in the Northwest, and Nanking needs his experience and loyalty. As this Comments close Yen Hsi-shan has resigned as Governor of Shansi and Shang Chen is

mentioned as his successor. Yen's resignation is in line with his desire to go abroad.

In can not be said that Feng is definitely out of military affairs in China. For the time being Chiang has certainly bested him, but the reorganization of the Kuominchun is being effected in such a way that beneficial treatment is being received by officers whose loyalty to Feng is beyond doubt, while those who are being demobilized are not his loyal adherents. Therefore the Kuominchun is still Feng's, although not under his actual command. No Chinese military leader receives anything like the loyalty, love and respect that Feng has from his troops——wherever Feng may go they will still be his. And therein lies Feng's greatness, and Chiang Kai-shek's danger.

4. <u>The Second National Reorganization and Disbandment Conference</u>.

With the bald statements of Chiang Kai-shek that "troops may be compared with water, which may float or sink the ship of state", that "an army not under control is like fire which destroys lives and property", and that "to persist in keeping a big army is tantamount to digging our own graves", the second Disbandment Conference opened in Nanking on August 1st and closed on August 6th. It was convened in fact to carry out the provisions which were promulgated by the first Disbandment Conference, which opened in Nanking on January 1st of this year.

In the former conference it was decided to reduce the armies (Manchuria was not included) of China to sixty-five divisions of 11,000 men each, or to a total of 715,000 men, and about fifty million dollars was appropriated to bring this reduction into effect. At that time it was announced that China's swollen armies numbered approximately 1,500,000 men.

Now, seven months later, there are at least 2,225,000 men in China's armies, and the fifty millions are all gone. Little wonder that some of us get pessimistic over China's future! The fifty million was spent in part against the Wuhan Party, but the expenditure of the

remnant remains a military scandal which is not spoken of outside of military circles. Each soldier who was disbanded, and there really were many disbanded and many also recruited, was, according to the provisions of the first conference, to receive three months' pay. In many cases they received no pay and only in a very few organizations as much as two months' pay. Commanders of various armies were ordered, and at the conference agreed, to disband certain whole units. The order was in many cases disregarded and in some carried out, but new units were organized to make the total the same or even greater. Little wonder that T. V. Soong says, "It is not impossible to raise enough funds for disbandment, but the difficulty lies in possible misappropriation of the funds by the various commanders when they get the money".

It is not thought that the second Disbandment Conference, which is being made the subject of a special report, will be so ineffectual as the first, since Nanking's authority is more widely reorganized now. Neither is it thought that China's army will be reduced to the limit announced - that of 800,000 men.

Though this mass of men is spoken of above as "China's Army", really it is no such thing. In the first place it is no army at all, since only in rare instances does it warrant being called more than a military mob, and neither is it China's. It is loyal not to China, but each group to its own commander. What this commander orders, in case it is paid and fed, this group will probably execute. But the various groups do not submit to the overlordship of the National Government except as by so doing they are furthering their own ends, or as they are driven by fear. As Charlemagne was able to unite the robber barons during his reign, so they a re occasionally united in China, and as the army disintegrated after Charlemagne's demise, so breakdowns often occur here.

That is why disbandment is so difficult here in China—— that and the economic condition of the country. If there was an occupation open to every disbanded soldier, soldiers would look forward to disbandment, but in the army they at least are fed and that is no mean consideration in China.

5. Banditry Increases.

Practically every paper one picks up these days in China has an account of banditry in Hunan or Hupeh or Communism in Fukien and Kwangtung. It is difficult to draw the line between the two for the communistic activities are of the bandit order, and the bandits fly the red flag. This condition of things is not new in China. Missionaries have been murdered and villages and towns looted in the out of the way districts without causing more than passing comment before, but conditions are becoming more acute.

Recently a brigade of the 4th Division, "The Ironsides", was routed by a communistic army in Fukien, said to have numbered 6,000. After the victory the reds attacked the city of Wing Ting, and according to a foreign correspondent, 20,000 families are now homeless and property has been damaged to the extent of several millions of dollars. Murder, rape and arson were the passwords of the soldiery, and scarce a home in the city but had its victims.

Banditry on a huge scale is being continuously reported from Hunan, where often towns fall to one band only to have their sufferings augmented by another which drives the first away. The ancient city of Loyang in Honan was recently looted—after Feng's troops had left, and parts of Hunan are admittedly Red.

The following is quoted, as illustrative of the increase in banditry, from the report of the American Consulate General in Hankow on "Political and Military Conditions during July, 1929":

> "According to newspapers and reports issuing from correspondents in Honan, July was a month particularly marked by bandit activities. A number of villages and towns were ransacked and several hundred inhabitants, both male and female, were kidnapped for ransom, and a large number killed and wounded and many others made homeless. A few instances of such outrage are: Loninghsien was occupied for two months; Mienchi was seized by a bandit band and some 1,700 inhabitants were kidnapped; Mientsin was attacked and over half of the houses in the town were burned and about 600 men and women were captured for ransom; Lushan and Paofeng also fell in the hands of the bandits. Iyang, Sunghsien and Nanyang all suffered bandit raids. Wang Tai, at the head of 2,500 bandits recently occupied Paofeng and the suburbs.
>
> "On July 15th Reverent Leonard, a British subject, was captured by brigands and stabbed to death two days later at Nanfeng, Kiangsi."

Bandit Suppression Headquarters have been inaugurated all over China, but so lukewarm is the professional soldier that he must outnumber the bandit force before he will attack, and in case of victory no decision is reached, the bandit retiring to the mountain fastnesses and the soldier to his barracks.

The propagandist, when asked about these conditions, points a denunciatory finger at Chicago. The subsidized news organ quotes from some American Yellow Journal to the effect that after all conditions are really worse in the United States. And the question is not squarely faced. In a vague sort of way America realizes that there are bandits in China, and some remember Lincheng and chuckle when they think of a member of the Rockefeller family in the hands of a picturesque bandit.

But to the Chinese living away from the Treaty Port, the laughable has long since left the picture. He may also, as his humor is generally well developed, see something to smile at in Lincheng and the foreigners who shared the common lot, but to the everyday peril that he himself faces there is no comic side. For the Chinese family constantly lives on the borderline of starvation; the equilibrium brought about by centuries of adjustment between over-population, lack of transportation and meagre production is extremely delicate. If there is too little rain, if there is too much, if there is sickness, the family actually suffers. Picture then the misery brought about by the depredations of the bandit. When the small store of grain is pillaged, when the meagre larder of coppers is pilfered, how does the family continue in existence? That question again is answered by the centuries which have gone before which has made the Chinaman <u>the most perfect economic animal in the world</u>. He lives where all others would perish; yet he dies in thousands too.

The nervous strain that these folk——simple farmers——endure, must be enormous, and that it will have its effect upon the Chinese of the future goes without saying. With the notable exception of Shansi and the provinces immediately adjacent to Shanghai, where large bands are seldom found, the bandit scourge is ever present.

The causes are self-evident. An army of two and one-quarter million men with its stragglers, its under-pay, its constant internecine strife. Lack of governmental control in outlying districts. The futility of the average Chinaman's life; the precarious food supply—all of these contribute. And disbandment if put into effect on the grandiose scale heralded by Nanking will do more immediate harm than any of these.

There can be no peaceful China until the bandit evil is eradicated. No practical steps are being taken by the government. The abolition of extraterritoriality, that panacea for all wrongs, will have no effect. The bandit in most cases will be a bandit no longer when he is given a job to do, when he has a farm to till. That quasi-bandit, the soldier, admits of the same treatment. Whatever the treatment given, the question is amenable to only one solution, and that is an economic one. So far Nanking remains aloof from the issue which is so near to the hearts of millions of its people.

6. Miscellaneous Notes.

T. V. Soong's Resignation. The Finance Minister's resignation as reported in the last Comments was withdrawn. Lately, he resigned again, and again has reconsidered his action. This is perhaps the only way in which he can draw effective attention to the squandering of money by the government. The last cause for his resignation is reported to be the huge appropriation required for disbandment, and the failure to budget national income and to follow the budget after it is drawn. The government keenly realizing that Soong's post would be impossible to fill, agreed to follow his suggestions in case he would withdraw his resignation. Within the last few days it has been reported authoritatively that Soong is again in office.

If T. V. Soong should actually retire from the Ministry of Finance the Nanking Government would face bankruptcy, since only his adroit manipulation of funds has kept the ship afloat.

The Peking Leader. On August 1st the Peking Leader under the leadership of Grover Clark, ardent and well-meaning advocate of nationalism in China, passed into other hands. Mr. E. W. Hunter is raised from reportership to editorship. Mr. Hunter possesses little of Mr. Clark's knowledge of China.

The new owners of the paper, since Grover Clark held the majority of the stock, are a group of Chinese officials under the leadership of C. T. Wang. It is not felt that the change in ownership will radically affect the editorial policy of the paper.

Parker G. Tenney

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COMMENTS ON CURRENT EVENTS

August 13——Sept. 9, 1929

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1. General.

The important aspect of the Sino-Russian dispute over the Chinese Eastern Railway has gradually changed from an international situation, with possibilities menacing world peace, to a demonstration of internal limitations and incapacities of the two revolutionary governments involved. Russia, it seems, cannot wage a war due to weaknesses resulting from her pacifist position in world politics, and the frailty of her own economic structure. China cannot make a serious war, and recent events have disclosed that internal politics as usual prevent her taking unified action against the outsider. The world has witnessed the most evident bluffing both on the part of Russia and China. The dispute is gradually resolving itself into a sparring for face-saving details prior to negotiations which may be expected to be long drawn out and inconclusive when completed. The preliminary negotiations are being conducted in Berlin through representatives of the two countries. The inability of Nanking to speak authoritatively for Mukden gives Russia an advantage which doubtless is being used effectively.

Meanwhile both nations have made military dispositions along the extensive frontier which each declares are defensive, as they doubtless are. For a time the lawless elements on both sides of the border enjoyed a period of relative immunity, if not encouragement, from the government forces. The forays conducted by the bands which abound in this area have given rise to exaggerated reports both in Russia and China of aggressive acts on the part of the other's regular forces. These activities which had diminished during the latter part of August were resumed in September. Aside from the bombing of Suifenho, it is questionable if any of the raids reported were ordered by responsible officials. Russian agents conducted sabotage on the railway, thus creating difficulties of operation and further increasing the deficit in revenues caused by the cessation of through traffic. Mukden has materially reinforced her garrison in North Manchuria.

There have been frequent disturbing manifestations against the authority of Nanking directed largely at Chiang Kai-shek and his personal coterie. Aside from the political campaign of a combination of prominent military leaders against Chiang's position, underground plots, not yet understood, have been disclosed by the arrest of cadets in the Central Military Academy and party leaders in Peking. Connected with these incidents were an attempt in Shanghai on Chiang's life, the destruction of

a munitions dump in Nanking. The party organizations in the North have again been subject to a clean-up by the party central.

Taiyuanfu is taking on the air of a northern capital. Here Yen Hsi-shan and Feng Yu-hsiang are a thorn in Nanking's flesh. From here embarrassing money demands are being made on Nanking; requests from here are sufficient to cause important administrative changes in North China, and to effect the installation of personnel in Nanking desired by Yen Hsi-shan and Feng Yu-hsiang. The journey abroad of these two leaders has been unduly postponed. To Taiyuanfu are journeying important agents of militarists and politicians from all over China.

While Minister of Finance Soong consented to withdraw his resignation upon the assurance of the government that military expenditures would be limited and the budget system applied, both he and the members of the government are aware that his theoretically unassailable principles are impossible of application in the present circumstances.

The powers addressed by China in April, requesting the abolition of extraterritoriality, have all replied to Nanking. The United States reply, dated August 10th, was presented August 12th, and the other replies within the next few days. The Chinese Foreign Office is about to release a note, or notes, in answer to the foregoing replies.

Insurmountable economic obstacles, combined with lack of honest purpose on the part of most of the military leaders, have thus far prevented any practical accomplishment in troop reduction.

2. <u>Sino-Russian Dispute Over C. E. R.</u>

At the opening of the period covered by these Comments (August 13), the best opinion in China felt that the danger of a serious clash between Russia and China had ceased to exist. There was never a time when China showed an inclination to take aggressive military steps, and it soon came to be generally believed that Russia's military preparations were purely defensive. The series of demonstrations on the frontier was doubtless designed to intimidate the Chinese. These demonstrations signally failed in their purpose. The Chinese at no time have appeared to be fearful of Russia's nationalism——a nationalism thus far rendered impotent for high adventure by the debilitating blows of her own boomerangs of internationalism. China, however, under the surface always timid in the face of international complications involving military measures, bluffed diplomatically in regard to the justice of her position and the confidence in her actions, which confidence she does not feel. Russia bluffed in creating the atmosphere which conventionally precedes war. She probably never meant to invade. Recent information relative to internal politics in China leads one to believe that Russia will take no action which might result in closing the breach between Mukden and Nanking. The continuance of this breach furnishes Moscow the surest means of recovering her position on the Chinese Eastern.

A local foreign official, whose colleague is the representative of his country in Moscow, and a specialist on Russia, informed me that the latter's confirmed opinion is that Russia never intended military invasion in Manchuria. A high Soviet official in Moscow had stated to him that Russia could not assume the responsibility for starting a war for fear of alienating all the communist groups throughout the world——their only international hope. The foreign representative in Moscow added, as his own

opinion, that Russia's present economic condition of itself was sufficient to prevent her undertaking any military involvement, although the official desire to chastise China was quite undisguised.

The complicated and exaggerated sequence of raids, which reached their climax about the middle of August and suddenly subsided a week later, were probably caused by the numerous lawless bands which always have existed on the Manchurian frontier. Both Russian and Chinese authorities probably relaxed their vigilance with regard to these outlaws, or actively encouraged their operations, and thus sometimes bought regular troops of their opponents into action. No authentic cases are known of invasion by regular forces of either side, whereas both sides cite specific instances of such organized raids. By August 22, both Chinese and Russian officials seem to have suppressed the disorders. To what extent the Russians reinforced their frontier garrison because of these incidents is not known. On August 12, Moscow announced the organization of a special Far Eastern command under the well-known Blucher (Galen). The name of Galen is quite justifiably impressive to the Chinese. The Mukden authorities on August 15th ordered into the critical areas some 50,000 reinforcements of Fengtien troops.

Beginning on September 6, another series of raids, attended by demolitions on the railway near both terminals, was carried out by bands, one of which was reported by the Chinese to be Soviet troops. On the 8th, Russian airplanes flew over Suifenho dropping bombs which destroyed the railway station and killed and wounded Chinese soldiers and civilians. Unreliable reports state the air attack was accompanied by an attack of guard troops. Thus far, no reasons for this attack have been advanced by the Russians. It is suspected that this is the reprisal referred to in a verbal note given to the German Embassy in Moscow (Tass, September 7), charging the Chinese with inhuman treatment of Soviet citizens in China, which ended with the following statement: "Moreover, the Soviet government declares that the above-mentioned circumstances compel it to adopt reprisals in respect to a certain category of Chinese citizens residing in Soviet territory who are living under conditions incomparably better than those of the Soviet citizens in China".

The important features of the Sino-Russian dispute, as previously suggested, have become the secret negotiations now in progress, and the light which the leaks from these negotiations throw upon the internal affairs in each of the countries.

As regards China, there is no doubt that the question of the Chinese Eastern Railway is hopelessly complicated by internal politics. One is often confused by the normal phenomenon of complete unanimity of published opinion of Chinese individuals concerning an issue with outside nations. This unanimity of racial (rather than national) feeling however has never prevented the practical operation of life and death struggles for power between rival Chinese factions. It has seldom been an insurmountable obstacle to the acquisition of gain by individuals, even in the midst of a national crisis, at the expense of national interests. Chinese railway officials in Harbin played politics and high finance with Kirin and Mukden; Kirin played politics with Mukden; Mukden played with Nanking; and the crisis arose with Russia. Nobody can know all of the intricacies of the circumstances which preceded and have followed July 10. It is generally believed today, nevertheless, that at some time about the middle of the year Nanking politicians, observing the growing friction between Mukden and the Russians on the Chinese Eastern, perceived the benefits of precipitating the crisis in order to stabilize their internal position

and, at the same time, weaken autonomous Manchuria. If Russia could have been instigated to invade, Nanking as the recognized government could have derived the following benefits:

Stirred the waning sentiment of unity by working up a strong anti-Russian feeling; by directing feeling against the outsider, deflected the general discontent with the government; strengthened the government's position against the increasing menace from radicals and the crystallizing group of Northern military leaders; broken down the autonomy of Manchuria by the introduction of outside troops.

It appears that Chang Hsueh-liang and some of his subordinates for a time fell in with this scheme. The crisis was precipitated, and the propaganda campaign was begun from Nanking. But several things failed to happen. Russia did not invade, the Feng-Yen group of militarists while asserting their patriotism were not emotionally stirred, and Nanking's leadership failed to make its usual appeal. The practical politicians surrounding Chang Hsueh-liang seemed inclined to keep the peace with Russia by means of local negotiations, and the hazy Young Marshal seemed to sense a trick. The offers of military reinforcements by Nanking were refused, and Mukden adopted a more suspicious attitude toward Nanking. Some Chinese say the Young Marshal began to show more interest in the rising capital at Taiyuanfu. Finally the Nanking Foreign Office, which had adopted a very uncompromising attitude toward Russia, began to seek negotiations. Mukden insisted upon a settlement. It is suspected that Nanking, realizing she was playing a minor part in the <u>actual</u> developments in Manchuria, decided to keep the press at least by assuming the leadership in a diplomatic role.

The Russian foreign office understands the situation. Manchuria is the victim of the present unsatisfactory status of the railway, Manchurian officials and merchants are the losers, the South Manchuria Railway is the only beneficiary. Mukden may be expected to press Nanking to settle, not as the foreign office might desire but as the practical politicians of Manchuria dictate.

3. <u>Status of C. E. R. Negotiations</u>.

The inside details of the negotiations thus far conducted cannot be known. It will be recalled that the Commissioner of Foreign Affairs in Harbin, Tsai Yun-sheng, was engaged in local negotiations with the Russian Consul-General when Chu Shao-yang, appointed Minister to Finland, was despatched from Nanking. The latter was snubbed by the Manchurian officials. Tsai and Chu, however, together proceeded to Manchuli to attempt to enter into negotiations. The Russians refused serious conversations with Tsai and would have nothing to do with the Nanking representative. On August 13, Nanking ordered Chu to cease his efforts and return to Nanking. On the 16th, Chu and Tsai reached Mukden where the latter alone attended the Northeastern Political Committee meeting. The assertions by Nanking of harmony between the Central Government and Mukden at this time only accentuated the differences then generally known to exist. Mr. Chu remained on in Mukden but seems to have played no part, and finally arrived in Shanghai on August 29th.

Moscow appears to have stood firm in her demands to revert to the status of the 1924 Agreements, while observing the Chinese internal differences develop. The Manchurian officials, especially the Chang Tso-hsiang clique, seemed disposed to effect an early solution and correct a situation which has caused them only losses. Nanking, either from considerations of face, or still seeking the opportunity to weaken autonomous

Manchuria, originally insisted upon a new status on the C.E.R. They issued statements, largely for publicity, about financial and military assistance to Manchuria. These only aroused feeling against Nanking, and apparently Mukden demanded that Nanking take steps to negotiate.

Vague intimations were given out by Kuo Min News Agency on August 27, that the Chinese Ambassador in Berlin was in communication with Moscow, as early as August 25. It is not known on what date Nanking made her first proposals, nor has China announced that she took the initiative, as she undoubtedly did. The Tass Agency, which is helpful in that it states fully what the Soviet Government authorizes to be published, cleared the situation on August 31, by publishing the text of the Soviet Government's suggested draft of a joint declaration to be issued by China and Russia. Tass further disclosed that China had proposed such a joint declaration, while Chinese "leaks" have given the impression that Moscow was initiating the proposals. The follo wing excerpt from Tass gives an indication of the nature of Nanking's proposed joint declaration:

"Simultaneously with the handing of the Soviet draft of the joint declaration, Mr. Litvinov declared to von-Dirksen that the Soviet Government sees no reason for the appointment of a new manager and assistant-manager, as proposed by the Chinese draft of the joint declaration, and the replacing of lawfully appointed officials who performed their functions strictly in accord with Sino-Soviet agreements. However, should the Chinese Government appoint a new chairman of the directorate of the railway in place of the present one upon whom lies the immediate responsibility for the violation of the order on the Chinese Eastern Railway established by Sino-Soviet treaties, the Foreign Commissariat of the U.S.S.R.,in keeping with the unaltering peace policy of the U.S.S.R. and meeting the wish of the Chinese Government, will raise before the Chinese Government the question of the appointment of a new manager and assistant manager of the railway. Litvinov further declared that such appointment must of course take place simultaneously with the signing of the joint declaration."

The Soviet Government's proposed draft of the joint declaration is quoted herewith:

"Both parties declare that they will settle all pending questions between them in conformity with the Sino-Soviet agreement of 1924, and particularly will agree upon the conditions of the redemption of the C.E.R. in accordance with Article 9 of the Peking Agreement.

"Both parties immediately appoint properly accredited representatives to a conference to settle all questions mentioned in the previous clause.

"Both parties believe that the situation on the C.E.R. which developed after the conflict must be altered in accordance with the Peking and Mukden Agreements of 1924 on the understanding that all such alterations will be solved by the conference provided for in the previous Article.

"The Soviet Government recommends the manager and the assistant-manager of the C.E.R. who will be immediately appointed by the directorate of the said line. The Soviet Government will instruct the C.E.R. employees, citizens of the U.S.S.R., and the Chinese Government its local authorities and their organs strictly to observe the conditions contained in Article 6 of the 1924 Agreement.

"Both parties will immediately release all those arrested in connection with the present incident, or after May 1st, 1929."

No progress in the negotiations have been reported. On September 6, Minister Wang stated in an interview that complete agreement had not been reached on the joint declaration to be issued; that no demand had been received from Russia for the dismissal of the Chinese president of the railway; that China had no objection to the appointment of a new Soviet general manager provided the appointment should not be gazetted prior to the opening of the formal conference. He mentioned the necessity for remedying the excessive powers of the general manager and indicated that the question of redemption of the railway would be brought up at the conference.

4. Manifestations Against Chiang Kai-shek.

The surface manifestations of the growing movement against Nanking, or specifically Chiang Kai-shek, have been fairly well suppressed in the newspapers but the reports of certain incidents could not be kept secret. The party headquarters in the North continue to breed officials troublesome to Nanking and have to be dismissed, either as left-wing adherents (Reorganizationists) or, in the case with the Mukden headquarters, as do-nothings. About August 20, arrests of cadets at the Central Military Academy in Nanking resulted in information regarding a plot to overthrow the government. This was followed a week later by the arrest of a prominent party leader in Peking, together with eight teachers and students. In Shanghai an attempt was made on Chiang Kai-shek's life on September 1, and the same day two of Chiang's newspaper plants were smashed up by radicals. On August 26, an explosion of an ammunition dump, officially reported to be due to spontaneous combustion, is believed to be connected with the same campaign. The suppression of news is so rigidly enforced that other dangerous activities are probably never published.

As previously reported, the Chinese people visibly cooled toward Chiang Kai-shek when he resorted to civil war as a means of combatting the rival, revolutionary Kwangsi clique. Bad luck has since followed him. The death of Colonel Bauer I suspect was interpreted by him as a bad omen. His announced campaign against Feng Yu-hsiang had to be abandoned because Yen Hsi-shan actively and the other northern military leaders passively refused to support him. The bold visit to Peking in July only convinced him that the chasm between North and South had widened. If it is true that his coterie planned the undoing of Manchuria by seizing upon the C.E.R. imbroglio, he alienated his few Manchurian adherents. The attempt on his life in Shanghai might be expected to lower his morale, already shaken by a series of very unfavorable developments.

5. Feng and Yen at Taiyuanfu.

The most reliable Chinese and foreign observers can only speculate on the sequence of peculiar events in the maneuvers of Feng Yu-hsiang and Yen Hsi-shan. No one ventures a prediction as to their next step or their ultimate objective. Everybody agrees that these two will not cease their anti-Chiang Kai-shek activities until the latter is eliminated. Well informed Chinese tell me that Chiang Kai-shek could be forced out immediately but that there exists no successor who, at this time, could hope to hold the government together. Taiyuanfu is now the Mecca for the agents of military and political leaders from all parts of China.

The movement against Chiang Kai-shek is wide-spread and growing, but it is believed that Feng and Yen are seriously attempting to avoid a general break-up upon Chiang's expulsion. These men sit together at Taiyuanfu publicly asserting their eagerness to expedite the disbandment

and reorganisation of their armies in order to be off on their foreign travels. They will hardly resort to this extreme measure for causing Chiang Kai-shek the ultimate loss of face if his elimination can otherwise be effected.

On August 24, Yen opened a meeting, at which 32 of his division commanders were present, for the purpose of "discussing plans for disbandment". The reorganization and disbandment of Feng's Kuominchun has proceeded at such a rapid rate, according to published reports, that there should be none of that fine army left. Toward the end of August, however, an urgent request on Nanking for $3,000,000 to purchase winter overcoats indicated the incompleteness of the disbandment. This request has been followed by further demands through Lu Chung-lin for staggering amounts——some reports say $26,000,000——for back pay, pensions, disbandment costs, etc. Yen too has insisted upon disbandment expenses. The Chinese interpret these demands as a deliberate campaign of political pressure and embarrassment, with a view to upsetting Chiang Kai-shek's government which already is toppling with debts. There can be no disbandment without money.

Nanking, to appease Feng and Yen, or under pressure from them, has had to increase their representation at Nanking. Chao Tai-men, Yen's man, has been elevated from Vice-Minister of the Interior to Director of the Control Yuan. Yang Chao-ti has been appointed Minister of Interior. Lu Chung-lin continues as Minister of War. Feng's brother-in-law, Y. L. Teng, Vice-Minister of Foreign Affairs, is now in Taiyuanfu, as are some other of his important subordinates. It is significant that Lu Chung-lin is preparing to leave Nanking. There are persistent rumors that the Kuominchun is hungry in Shensi and threatens to come out to feed on Honan.

If one were to ask the majority of Chinese to name the two living revolutionary leaders who have most nearly proved the genuineness of their concern for the people, some would answer, "Feng and Yen", and others would say "Yen and Feng". Both are Northern Chinese and both have been disillusioned in their dealings with the Southerners at Nanking. Feng has a tremendous influence over subordinates but finds cooperation with his equals almost impossible. If Yen can temper Feng's individualism and convince the other Northern militarists of Feng's bona fides, there is little doubt that Nanking will have to make room for the North's share of influence or Nanking will cease to be the capital of China.

6. <u>Nanking Works Against the Tide</u>.

Whereas the Peking governments, doing nothing, struggled in their last years to remain in existence, Nanking has itself created the situation in which it must accomplish something or fall. Its founders have essayed large things; they promised great results promptly which, at best, can only be realized in years. The virtue of the Kuomintang leaders lies in their demand for improvement; their weakness comes perhaps from an exaggeration of their own capabilities and their under-estimate of China's inertia.

When T. V. Soong agreed to remain in office upon the assurance of the government that his schemes for a budget and a limitation of military expenditures should be adopted, one hesitates to believe that he had confidence in the government's ability to carry out its promise. He reasserted the soundness of his position, he was loath to give up power, he owed loyalty to Chiang Kai-shek, he appreciated the danger to the government's stability without him, he might put into effect at least a part of his program——all of these motives may have influenced his decision. However, it is not to be assumed that he believes the Central Government can disband troops which are rival, if not enemy, forces or that it can include in its budget revenues in autonomous regions.

About August 10, the government announced the flotation of a $70,000,000 Disbandment Loan. Thus far there has been a very unenthusiastic response to the loan. No figures are available as to amounts now pledged by the bankers. It may have been a coincidence or sardonic humor, but an announcement by the Minister of Finance that $17,000,000 had been subscribed was followed by an urgent request from Feng Yu-hsiang for the Kuominchun for just that amount.

On August 26, Kao Chi-yi, the man who killed Yang Yu-ting and consequently Chang Hsueh-liang's confidant, was appointed general manager of the Peking-Mukden Railway. Kao is also director of the Manchurian Railway Bureau. Thus the efforts of Sun Fo to unify the management of the Peking-Mukden Railway succeeded, but, unfortunately for the Ministry of Railways, the unified administration is in Mukden's hands. It is reported that Chiang Kai-shek, over Sun Fo's head, conceded this post to Chang Hsueh-liang for the purpose of retaining his allegiance against the Yen-Feng combination.

Wang Tseng, Vice-Minister of Railways, on September 1st was arrested at Nanking. Misappropriation of funds was hinted, denied by Sun Fo, and later again reported. Sun Fo went to Shanghai and threatened to resign but, as is customary with high officials, did not. From a source close to Wang Tseng it has been learned that the Cantonese clique in the Ministry of Railways combined to oust the Vice-Minister. Chiang Kai-shek proposed a relative of his for appointment to Sun Fo. The latter refused to dismiss Wang without cause, whereupon the President ordered the Vice-Minister's arrest and the State Council a few days later accepted Wang's resignation "due to illness".

7. <u>The Reorganization Party</u>.

As nearly as can be ascertained at this time, the Reorganization Party (Kai Tsu Pai), which is being loosely referred to in the press today, is a group <u>within the Kuomintang</u> in opposition to the present party dictatorship of Chiang Kai-shek and his coterie. Although Wang Ching-wei, now in E urope, is mentioned as the recognized leader to be installed, he is not lending his name to the movement in order to maintain his position as a party, rather than a clique, leader. Chen Kung-po and other left-wing members of the Kuomintang are the active heads of the Reorganizationists. Although essentially it is a left-wing movement, all discontents within the party seem to have joined the new clique. This includes all party members not in good favor with the present party dictatorship and numerous of the lesser officials in the present administration.

Although some communists are doubtless secretly active in upsetting the present government, the Reorganizationists are not believed to be connected with the Communist Party. Likewise, the new party is said to be trying to keep itself free from the domination of any of the militarists. However the prominent militarists, practically all of whom are antagonistic to Chiang Kai-shek, are insinuating their party adherents into the movement in order to upset the present regime.

The Reorganization Party, in brief, is the crystallization of all the oppositionist elements of a leftist nature which for some months have been reported by this office as a menace to the Nanking regime as at present constituted. While probably a considerable compromise for the extremely pro-Russian Madame Sun Yat-sen, she is believed to be a leading figure in the orga nization.

8. Disbandment.

As was the case following the First Reorganization and Disbandment Conference in January, 1929, there has been considerable publicity given by all commanders to steps taken in connection with the reduction of their troops. It is impossible to rely upon these statements, and many of them are known to be merely pro forma. There are known instances of reorganization of units, the motive back of which certainly is improvement of the efficiency of the troops rather than their reduction. Incidentally, there may be minor reductions.

Kuo Min News Agency reports that "The investigation parties to the various disbandment districts for the purpose of ascertaining the actual number of soldiers left the capital" on September 4th.

The views of this office with respect to the obstacles to troop disbandment in general were expressed in Report No. 7391 of December 13, 1928, "China's Vicious Circle", and have not been altered by recent developments.

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4. "War" in Manchuria.
5. Sino-Russian Negotiations.
6. Return of Mr. Koo.
7. Disbandment.

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1. General.

With important internal issues pending and with the Sino-Russian relations unrelieved, the past two weeks have nevertheless been entirely lacking in events of a decisive nature. The general sentiment against Chiang Kai-shek among all classes of Chinese has undergone no change, but the several movements designed to eliminate him have made no apparent progress. Judging from known incidents, the President seems firmly in the saddle against his declared enemies. However, Chinese opinion, which holds Chiang's downfall to be inevitable, seems to be based on the belief of a gradual growth of active and passive resistance which will not cease.

The la rge-scale dispositions of the government troops in Kwangtung belie official statements to the effect that Chang Fa-kuei's progress from Ichang to Kwangsi was broken up by Ho Chien in Hunan. The facts seem to be that the march of the revolting 4th Division was not seriously hindered in Hunan and that it is about to join the anti-Chiang Kai-shek units in Kwangsi. The strength and composition of the latter cannot be known since official reports claim that some of the divisions have remained loyal. It is definitely known that Wuchow, on the Kwangtung-Kwangsi border has passed "by arrangement" into the hands of the government forces.

Chiang Kai-shek recently has shifted practically all of his divisions. The situation, very broadly speaking, finds Nanking militarily covered by three masses of loyal troops. One grouping of divisions in Anhui and one in Hupeh have just become identifiable as the security measures against the doubtful or rival militarists in the North, whose units extend from Shantung, through Honan, into Shensi. The other grouping in Kwangtung, lately re-inforced by divisions from the Yangtze Valley, is in active operations to cover the threat to Canton from the revolting Kwangsi troops and Chang Fa-kuei's "Ironsides".

As this report closes, it appears that Nanking has the immediate military uprising in the South in control. If Kwangtung passes to the opposition it will probably do so as a result of the turnover of Kwangtung troops. In other words, as in most Chinese situations, the results of the present threat to Nanking depends upon political combinations rather tha n upon the action of military forces. It is impossible to predict the attitude of any of the units involved in this Southern factional strife.

No progress has been announced in negotiations over the Chinese Eastern Railway affair. Following a period of relative quiet on the Manchurian frontiers, the Russians at Manchouli made further serious demonstrations from October first to fourth.

2. Revolt in the South.

Chang Fa-kuei's march southward through Hunan has been the subject of many conflicting reports. The facts cannot be known, but the latest reports indicate that the leader himself has arrived in Kwangsi and that his troops are proceeding, with little hindrance from Ho Chien in southern Hunan. His strength is now variously estimated from 15,000 to 25,000. The larger figure is believed to be more nearly correct.

On September 27, Yu Tso-po, Chairman of the Kwangsi Provincial Committee, declared against the government, as did Li Ming-jui, the commander who deserted his Kwangsi colleagues and permitted the Nanking forces to enter the defenses around Hankow in the last war. The actual situation in Kwangsi is confused owing to the conflicting reports of shifting of sides by the various commanders. It is reliably reported that the Wuchow garrison declared for the government on October 4, and the city is now in the control of Kwangtung land and naval forces. Any estimate of the strength of rebellious Kwangsi forces is impossible. Aside from the above mentioned commanders, there have been no further announced disaffections from the government.

The troops in Kwangtung have been re-inforced by all or parts of four divisions. Two of these were sent by sea from Nanking, one by sea from Amoy and the other went overland from southern Kiangsi. If no turnovers occur in the troops now in Kwangtung it seems unlikely that the revolt will seriously threaten Canton.

As mentioned previously, Nanking finds it necessary to hold large concentrations in Anhui and Hupeh to protect the capital against possible movements by the group of Northern commanders. The latter continue to assume a passive attitude toward the Southern revolt, but the present location of troops on the map indicates a fairly well defined zone between the two groupings of Nanking troops and those of the leaders associated with Yen Hsi-shan and Feng Yu-hsiang. Among the latter there are no evidences of any immediate aggressive plans.

Fang Chen-wu, who was associated with the Northern bloc, incautiously returned to Nanking and is now restrained there. He was relieved of his office (dismissed) as Chairman of the Anhui Provincial Committee, his two effective divisions were surrounded by Nanking troops, and his division commanders were replaced by two of Chiang's appointees. One of these, General Fang Tseh, was seized by a brigade at Anking as a hostage for Fang Chen-wu's safety and is still held by this unit which has moved to northern Anhui. There was considerable concern at Nanking during the process of rendering Fang's two divisions harmless. Some of the smaller units refused to be reorganized and for awhile created minor difficulties in the vicinity of the capital.

An indication of the nature of the revolt against Nanking was furnished by an order issued by the Standing Committee of the Central Executive Committee on October 3, to the government that the following left wing adherents be proscribed:

Chen Kung-po	Wang Loh-chin
Wang Fah-chin	Koo Meng-yu
Po Wen-hui	Chen Shu-jen
Chu Chi-ching	Pan Yun-chao
Pai Yun-ti	Kuo Chun-tao

"It was pointed out at the meeting that these men, acting in concert with the 'military remnants' and under false pretenses, were secretly plotting to destroy the disbandment program of the government and thereby bring about the downfall of the party and the nation. It was further said that they were willing tools of red imperialism, and that many proofs of their intrigues had been secured and their guilt clearly established."

3. Attitude of the Northern Bloc.

The Northern militarists, grouped about Yen and Feng, as was expected, have been silent and passive with regard to the revolt of Chang Fa-kuei. There have been rumors that Feng was moving toward the Hupeh border, but it is believed at this time any shifting of troops on his part will only be for the purpose of edging some of his units out of Shensi into better feeding grounds in western Honan. A fairly reliable report, as yet unverified, states that his subordinate, Sun Liang-cheng, has encroached on the Lung-Hai Railway as far east as Chengchow.

The attitude of Tang Sheng-shih is puzzling. He is still in Nanking and possibly is in restraint. His troops are in the Chengchow area, and it is rumored that he fears to join them because of the subversion of some of his subordinates. The allegiance of his division commanders is a doubtful matter.

Chen Tiao-yuan holds the strategic parts of Shantung with a small number of troops while large parts of the province are parcelled out among semi-bandit organizations of doubtful affiliation. Northeast Shantung is divided between Liu Chen-nien at Chefoo and Sun Tien-ying at Pingtu. They must be considered as small, semi-independent regional commanders.

Yen Hsi-shan and Feng Yu-hsiang, apparently having settled upon a course of action or inaction, have made themselves unavailable to the hosts of agents and importuning representatives at Taiyuanfu by isolating themselves in the sacred area of Wutaishan.

Recently there has been a series of conferences in the home of Tuan Chi-jui at Tientsin. Representatives of numerous of the smaller militarists, such as are to be had for a price, have been identified at these meetings. The meaning of the conferences is not known other than that they are anti-governmental.

4. "War" in Manchuria.

Of incongruities in the Far East there is no end. Russia and China, as signatories to the Peace Pact, cannot resort to war as national policy, but warlike activities are freely indulged in by Russia as a spur to peaceful negotiations. A state of war exists in Manchuria. So far as can be observed, China, since her original war-time measures in handling non-combatants in July, has denounced war as a policy, but circumstances force her now to adopt the measures of a nation engaged defensively in a real, if rather faint-hearted, attack on her frontiers.

As mentioned in previous Comments, Russia did not explain the air attack on Suifenho, which up to that time constituted the only clear-cut case of attack by organized forces. Another such case has now occurred at Manchouli. Moscow's tactics have become difficult to grasp. Technically she has involved herself just as much as if she had seized Harbin; practically she has accomplished nothing except to endanger a fairly favorable world opinion, the first she has attained since the revolution

began. These attacks seem so senseless that one is inclined to search for some real provocation. It seems unbelievable in this situation that Russian troops would conduct objectless air and ground raids. The Chinese, as well as the Russians, are masters at creating situations placing their opponents in the wrong, and it may yet be disclosed that the Chinese near Manchouli jockeyed the Russians into retaliatory measures by some shrewdly conceived irritation.

It seems established that on October 1st and 2nd, the Russians bombarded the Chinese positions near Manchouli, bombed with airplanes and raided Chinese trenches with ground troops. On October 4, the most serious action since the trouble began took place at Manchouli. According to Japanese reports, 27 Russian airplanes demonstrated and bombs were dropped in Manchouli itself. Accompanied by artillery fire, the troops conducted a raid, capturing the local Chinese headquarters, and later retired. Allowing for gross exaggerations which have been spread about these raids, nothing less than a state of war exists at Manchouli.

No satisfying explanations have been offered for the renewed Russian activity. The mere intimidation of traders and official residents at Manchouli as part of a plan of economic disruption hardly seems sufficient to compensate for the disadvantages incurred. The recent attacks have, however, caused a large exodus of the civil population. Disruption of the railway terminal facilities at Suifenho and Manchouli would be more effective. It has been reasonably suggested that the activity near Manchouli is part of a plan to isolate the Chalanor coal mines (only 8 miles from the border to the North) upon which the whole western section of the railway depends for fuel. With the Chalanor mines and the Mulin mines (30 miles from the eastern frontier) out of operation, the Chinese Eastern Railway would be wholly dependent upon the Japanese-owned Fushun mines.

5. <u>Sino-Russian Negotiations</u>.

There seems to have been no progress whatsoever toward a peaceful settlement of the Chinese Eastern Railway dispute. On the contrary, both Russia and China have issued recriminatory denunciations of each other, both as to the maltreatment of their respective citizens and as to violence on the frontiers. It appears now that China is the suppliant for negotiations and that Moscow has assumed an obdurate attitude. Information as to conversations in progress, however, is entirely lacking. The obstacles to a reasonable and peaceful settlement are mounting. What appears to have been a ballon d'essay, launched in Mukden, brought forth a denial from Karakhan regarding his alleged statement to the effect that if the dispute were not settled within a certain length of time Russia would forcibly recover her position on the railway.

On or about September 25, Moscow handed the German Embassy a long note for transmission to Mukden and Nanking reviewing all of her warnings as to the "systematic provocative attacks on the territory of the U.S.S.R. made by armed white guard gangs and Chinese units, and their firing on Soviet frontier units and peaceful population". This note recalled the statements of August 19, and September 9, in which details of such provocations were enumerated. It then continued with new specific charges of the conventionally worded type and ended with the following warning: "In view thereof the Soviet Government has only to affirm that the whole responsibility for the situation thus created and possible further complications as well as losses thereby incurred on the frontier in the Soviet regions it lays entirely and fully on the Nanking and Mukden Governments, and that the Soviet military authorities will be compelled hence to take all necessary steps in order to fight against said events and prevent them in future".

It is probably on the score of the above charges and warnings that Moscow justifies the military actions of October 1-4.

A United Press article, dated September 27, states that the Moscow officials issued fresh denials that any conversations with China were in progress. The following day Moscow protested against the shooting of three Russian railwaymen, and stated that the Soviet would take reprisals to protect Russian citizens in China.

6. The Return of Mr. Koo.

Mr. Wellington Koo arrived in Mukden at the end of September in company with Mr. Harry Hussey, a Canadian architect well known in Peking. The latter, who is intimate with Mr. Koo, insists that the ex-Foreign Minister would not consider accepting public office at this time, even if offered. The report that Chang Hsueh-liang has proposed to the Central Government that Mr. Koo replace Mr. C. T. Wang as Minister of Foreign Affairs in order to overcome the impasse in Sino-Russian negotiations, has been denied by the Young Marshal. It is known, however, he requested that the proscription against Mr. Koo be cancelled. The assurance of Wang Chung-wei and the Mukden leaders that the proscription would be removed was given before Mr. Koo left Canada. Mr. C. T. Wang, a personal enemy of Koo's, is conducting a campaign to obstruct the removal of the proscription.

It would not be surprising to hear that Mr. Koo is unofficially supervising efforts of Mukden to open negotiations directly with Moscow.

7. Disbandment.

The following item appears in the official Kuo Min news agency:

"Investigation into the actual number of soldiers in the various military units throughout the country being near completion, the Central Disbandment Committee has instructed the various Disbandment Districts to proceed immediately with the program of reorganization and disbandment. Detailed instructions regarding the procedure have been dispatched by the Central Committees."

This sounds as if disbandment were a matter of regular routine. Actually no recent developments have changed our previous views on this subject. Several consular reports have mentioned disorders occasioned by disbanded troops which were cast on the community, but it is believed in such cases that these men were small groups of incompetents which were sacrificed to maintain the pretense of disbandment. The real situation behind the attempts to disband is perhaps illustrated by the following Kuo Min article which, interpreted, means that Yen Hsi-shan places the responsibility for the impossible upon Nanking:

"Taiyuan, Oct. 4. Investigation of the various units of the 3rd Group Army having been completed, General Yen Hsi-shan is understood to have instructed the 3rd Disbandment Office to proceed with the task of disbandment and reorganization. In a telegram to the Central Authorities, the 3rd Disbandment District requests that funds be immediately remitted to Shansi to meet the necessary repatriation expenses of the disbanded soldiers, pointing out that further delay merely means the waste of more funds which will have to be spent for the maintenance of the disbanded men."

There are numerous impressive announcements regarding the imminent receipt of revenues from the Disbandment Loan but, so far as can be ascertained, the provinces have not remitted any part of their quotas and the bankers refuse to subscribe until the provinces have remitted. In brief, it is believed that to date the government has received nothing from its appeal for disbandment funds.

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OCT 29 1929
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COMMENTS ON CURRENT EVENTS

September 10-23, 1929

RECEIVED G/2 W. D. OCT 28 1929

1. General.
2. Political and Military Trends.
3. Sino-Russian Affairs.
4. Disbandment.
5. To Govern is Difficult; to Negotiate Easy.

1. General.

The assumption is wide-spread that the Chinese people generally have "thumbed-down" on Chiang Kai-shek. In the past, leaders so marked have been deemed. All interest is centered on the cumulative incidents which indicate the growth of the movement against Chiang and his clique. International relations and administrative affairs are subordinate in Nanking to the activities forced upon the clique to maintain itself in power. The Northern people look upon the present regime as they would upon the military government of an occupying force. The Northern militarists have organized against Chiang Kai-shek for passive resistance at least. But it is in the South that the movement designed to unseat Chiang Kai-shek is expected to develop.

In addition to the various plots mentioned in the last Comments, an under-current of unrest has developed in Canton where it was found necessary to disarm two suspected regiments. The so-called "Communist" armies on the Kwangtung-Fukien border have continued active. Chang Fa-kuei, the well known radical commander of the "Ironsides" (4th Division) at Ichang, was dismissed by Nanking, allegedly for refusal to obey orders. He replied by denouncing Chiang Kai-shek and started marching his famous organization presumably toward Kwangtung. Suspicious actions on the part of Fang Chen-wu have necessitated the concentration of "government" divisions against his troops in Anhui. Nanking has announced active plans for frustrating Chang Fa-kuei's "plot". Other unobtrusive military movements and unusual circulation of prominent individuals seem to presage trouble.

In Manchuria there have been no important developments. The pronounced Russian activity in the Suifenho area beginning September 7, subsided after a few days. The negotiations between Nanking and Moscow relative to the railway dispute continue to be held up over the question of re-instatement of a Russian general manager prior to the opening of a formal conference.

Nanking tirelessly announces the passage of imposing laws and regulations which are not enforced even in the lower Yangtse provinces. Futile efforts are being made to dispose of Disbandment Loan bonds, the proceeds of which bankers know would only go toward bolstering a threatened and possibly crumbling regime. While the government publicity organs announce progress in disbandment, all the militarists are busily engaged in enhancing their military strength in view of an impending political and military shake-up in which each would not be found wanting.

3. Political and Military Trends.

The stories of what is about to happen are continually being told by Chinese contacts. Whatever the motives of these individuals may be, the sincerity of their belief in imminent changes in the government cannot be doubted. Nor can the sincerity of the generality of Chinese in their desire for change be doubted. It is difficult to escape the observation that the kind of government and theory of government (for it is largely theory) represented by Nanking is not desired by the Chinese people. Regardless of the opinions held by foreigners as to the benefits of a strong centralized authority, the Chinese are suspicious of it, fear it and will not have it. The under-currents of discontent with Chiang Kai-shek and his coterie express themselves in as many different ways as there are groups of oppositionists, but they can all be sifted down to the fundamental fact that the Chinese people are not by preparation---or by nature---willing to permit powers of government to be concentrated in the hands of a few. Stated otherwise, and baldly, the few are not by preparation---or by nature---worthy of holding the powers of government without grossly misusing them to the detriment of the people.

Without venturing to predict the course of events in China, it may reasonably be assumed that the whole inertia of the Chinese race will for a long time be cast in the balance against any attempted form of government which does not permit individualism in the highest and lowest places a large degree of play. The natural results of this are the persistence of local autonomy and recurrent civil strife; the futility of aspiring dictatorships; and the impermanency of any form of government which attempts centralization of powers by any process other than a slow accretion of prerogatives which its own moral worth naturally attracts. An enforced process inevitably encounters massed passive resistance, peculiarly Chinese and strangely irresistible.

Whether friendly nations like it or not, one regime after another will be undermined by the Chinese so long as inapplicable foreign forms of government, hasty expedients for meshing with foreign progress but which do not mesh with Chinese inertia, are attempted. The reactionary dictatorship of Chiang Kai-shek or a radical autocracy of Wang Ching-wei equally are doomed to failure, since both are founded upon theories of strong centralization of authority which the Chinese traditionally have rejected.

Were the questioned asked, "Then what form of government are the Chinese seeking which will bring order to a distracted country!", the answer is, "The Chinese do not know, and there will be no order in the near future". Foreign relations with China should be based on the assumption that the present seemingly chaotic conditions, not abnormal in Chinese experience, will be of indefinite standing.

The foregoing considerations have been forced upon me by the evident satisfaction, if not enthusiasm, with which the northern Chinese contemplate the embarrassments of Chiang Kai-shek and the Southern regime at Nanking. When inquisitive about what they hope for in the way of betterment, one finds that they view with favor the return to power of the Northern militarists of the type of Yen Hsi-shan and Feng Yu-hsiang. It seems to resolve itself into a confirmed preference to be governed by their own people, even badly, rather than by outsiders.

In the South it does not seem to be greatly different. The discontent with Chiang Kai-shek seems to arise largely from his attempts to destroy regional autonomy, rather than to compromise with it. The present movement against him will likely be found to have been precipitated by the Cantonese. Himself a Chekiang man, he rose with the assistance of the Cantonese, due to their mutual dependence upon each other. As his personal power increased the more he curtailed the Cantonese influence, until today the movement in progress is the gradual consolidation of the Cantonese against him. Chiang Kai-shek is an outsider in Kwangtung. He, together with certain of the Cantonese, drove out the Kwangsi faction, but today Kwangtung and Kwangsi may be expected to combine against him. The North looks on with expectancy, hoping the Southern rivals will be sufficiently balanced to render each other innocuous.

As gathered from Chinese sources, and reduced to their simplest terms, the stories regarding the plans arrived at at Taiyuanfu may be stated as being along the following lines: Yen Hsi-shan and Feng Yu-hsiang have come to an agreement with Chen Tiao-yuan, Fang Chen-wu and Tang Sheng-chih to oust Chiang Kai-shek, if possible by passive measures. This bloc is essentially a Northern group which ultimately hopes to dominate the government at Nanking or else establish a new government north of the Hwai River. Their first step is to effect the expulsion of Chiang Kai-shek by encouraging the opposition in the South. The control of Nanking following the present regime will be no enviable task and those who attempt it may be expected to fail. Hence it is desired by the Northern group to place the responsibility for this transition upon the left-wing Kuomintang headed by Wang Ching-wei (Reorganization clique). With this in view the Feng—Yen combination has effected some understanding with Chang Fa-kuei, Chu Pei-teh and Liu Shih (1st Division), who have been mentioned, by Japanese sources, as the military leaders of the Southern opposition. With these may also be combined the Kwangsi faction which is operating from Hongkong to recover their position.

The whole opposition in the South is suspected of being a Cantonese attempt to regain control of the party which gradually was wrested from them by Chiang Kai-shek. The degree of radicalism, and possibly communism, involved in the movement is not known. It is a feature which cannot be overlooked in view of the past reputation of the personnel identified with the effort.

Censorship is very strict. Thus far, all that is known is that on September 17, Chang Fa-kuei, following his refusal to move his 4th Division ("Ironsides Army") from Ichang to Hsuchow, revolted against Nanking, denounced Chiang Kai-shek and declared himself in support of Wang Ching-wei. What has taken place in the Ichang area since is not clear. The latest reports indicate that the main body of the "Ironsides" proceeded promptly, via western Hunan, toward Kwangsi where they expect to join rebellious Kwangsi units and move on Kwangtung. The rear elements remained in the Ichang area and captured some of the units sent against them from Hankow. There were the usual unconfirmed reports of units on both sides having turned over. To date no other leaders, except Yu Tso-po, Chairman of the Kwangsi Provincial Government, have declared adherence to the movement.

Nanking is shifting troops from the lower Yangtse and from Hankow to the disturbed area. Other troops have been moved to surround the suspected forces of Fang Chen-wu in Anhui. The latter himself has been relieved of his post as chairman of the Anhui Committee and is under restraint in Nanking. The capital itself is heavily patrolled by a loyal

division recently recalled. Precautionary orders have been issued to the officials in Kwangtung where anti-government uprisings are expected.

The 4th Division, in reality a corps, has a strength of possibly 40,000 men. This organization is recognized as having the best fighting record of any revolutionary unit. It has appeared in every crisis during the nationalist advance. It likewise is considered the most radical unit and was very closely identified with the attempted communist coup d'etat in Canton in 1927. In Report No. 7429 of January 25, 1929, it was stated that the Minister of Finance directly was giving financial support to this unit. The significance of this peculiar financing by Mr. Soong is as puzzling now as it was then.

3. Sino-Russian Affairs.

Moscow has not explained its bombing of Suifenho, mentioned in the last Comments, except very generally to intimate that it was in retaliation for aggressive acts from the Chinese side. Observing planes have continued to fly over Chinese territory but have ceased dropping bombs. The sensational official war bulletins from Mukden describing Russian aggression along the frontiers are absurdly exaggerated and often appear to be purely fictitious. Aside from the activity of bandits, there have been no clashes of consequence in the past two weeks.

The British Military Attache, who has recently returned from Manchuria, tells me that the Mukden authorities are very eager for a settlement with Russia, aside from political and commercial reasons, in order to get the Fengtien troops back to their stations before winter sets in. Both on account of the expense and the effect on the morale of the troops their withdrawal is considered an important matter.

No convincing information is available here as to Russia's future intentions, although it is appreciated that Russian troops are more capable of conducting a winter campaign than are the Chinese. By the middle of November the freeze will be complete and troops can operate anywhere in northern Manchuria except in the mountain regions. The view is generally held that, under no circumstances, will Russia undertake any positive measures without the acquiescence of Japan. There is, however, a growing feeling that, in secret agreement with Japan, Russia contemplates reasserting her position in the railway zone.

The negotiations between Nanking and Moscow, via the German Foreign Office, have made no progress so far as has been announced. As a side issue to the railway dispute, Russia charged the Chinese with committing brutal atrocities upon Soviet citizens. Germany replied to this charge in a terse note in which doubt was expressed as to the truth of the allegations. Details of the atrocities were requested, and the suggestion made that the Russian citizens in Manchuria might well submit reports of mal-treatment directly to German representatives. China, while denying the alleged atrocities, retorted by complaining against the Soviet's false and malicious reports of mal-treatment of Russians, and denounced the renewed "attacks" by Soviet troops. China put herself on record as holding Russia responsible for the loss of life and property occasioned by these attacks.

Nanking submitted a note dated September 9, in reply to the Soviets suggested amendments to the draft of a joint declaration (see last Comments) in which China rejected the proposal for the immediate appointment of a Russian general manager.

A supplementary note to Russia dated September 13, is reported by Russian sources to have contained the suggestion that temporarily an assistant general manager be appointed by each country. To these proposals the Soviet submitted a reply on September 17, which states: "The Soviet Government regarded from the very outset of the conflict and still regards the fulfilment of the conditions as outlined in the Soviet amendments as an elementary prerequisite to the conference proceedings".

Referring to China's note of September 9, Moscow's reply continues:

> "Speaking now against the immediate appointment of the Soviet officials, the Nanking Government withdraws its own proposals and renders the settlement of the conflict by agreement impossible.
>
> "Nanking's complementary proposal submitted to the Soviet Government on September 13 through the German Ambassador, wherein Nanking speaks of the appointment merely of an assistant manager instead of a manager and assistant-manager, is flagrantly at variance with the Peking and Mukden agreements, and Article 3 of Nanking's joint draft declaration is similarly a repudiation of its own proposals. In view of Nanking's rejection of its own terms of signing the declaration and the starting of negotiations, the question of the place of negotiations has been rendered of no meaning, and the responsibility for the further development of the conflict falls fully on the Nanking Government."

Tass reports the concluding words of M. Rykov, in his speech before First Moscow Regional Congress of Soviets, as saying: "We do not intend to recall the Far Eastern Army in the coming autumn, but shall reinforce it. We shall not accept the Nanking conditions, which are essentially tantamount to a Soviet surrender to the Chinese generals."

Moscow is gradually building a case which technically is sounder than China's. Her repeated allusions to the possible necessity of "settlement of the conflict" by means other than agreement are not to be lightly overlooked. Russia's firmness in the present conversations and her apparent plans for maintaining her forces, at least active on the frontier, during the winter, have caused Nanking recently to manifest an eagerness for settlement by negotiations. There are indications in Manchuria as well that Russia's military demonstrations have not left the Chinese officials wholly unaffected, despite their confident public statements. The Chinese ultimately will disclose timidity in the face of foreign military manifestations.

4. Disbandment.

The persistent publicity from Nanking regarding the "progress" of disbandment is reminiscent of the White Knight's impressive dissertation to Alice on riding——in those brief intervals between falls from his charger.

Officials from the Disbandment Department at the capital are at present dutifully making their inspection rounds to neutral troops, rival troops and near-enemy troops, drawing pay and allowances, and being sumptuously dined, while these troops are being trained, and in many instances augmented, in preparation for eventualities which point to the elimination of the disbandment agency. The situation is tragically humorous

and is in no sense exaggerated. To take the disbandment program seriously is only to deceive oneself. The fact that the publicity organs can continue turning out propaganda indicating that disbandment is seriously being undertaken is another index of the monumental make-believe which surrounds all Chinese activities.

Whereas every Chinese academically would assert the economic tragedy of swollen armies, I cannot find one authentic item of information whic h warrants me to adopt a serious attitude toward the self-sacrificing honesty of the responsible officials in Nanking or the regional militarists with respect to disbandment.

5. <u>To Govern is Difficult; to Negotiate Easy</u>.

Lightly passing over certain lamentable "equal" agreements concluded with Soviet Russia in 1924, of which much ado has been made in the recent past, Nanking now boasts of having made her first treaty on the basis of full equality and reciprocity since the establishment of the national government. On September 18, Poland and China signed such a treaty which contained no mention of extraterritoriality or other "unequal" clauses.

Speaking at a meeting in Shanghai on September 9, Foreign Minister Wang stated, among other things, that his policy remained one of fighting for the independence, freedom and equality of China in the family of nations, and that to this end all the unequal treaties must first be abrogated. He continued to the effect that this year's program was to secure the abolition of extraterritoriality and next year would be devoted to the rendition of all the foreign concessions and settlements in China.

Chairman Chao Tai-wen and Vice-Chairman Chen Kuo-fu of the Control Yuan were formally installed on September 11. "In a brief speech, President Chiang declared that the inauguration of the Control Yuan marked another step towards the realization of the Five Power Constitutional system of government advocated by the late Party Leader, Dr. Sun Yat-sen, and expressed the hope that with the Control Yuan in function, corruption in the Government might soon be eradicated and a clean administration ushered in."

China's notes keeping open the extraterritoriality question with the United States and France were published on September 12. The note to the United States was so worded, crudely overdone in spots, as to make the most forcible emotional appeal to the American people. Requesting that the United States "enter into immediate discussions.... whereby extraterritoriality in China will be abolished....", it traced the analogy, faulty in several important respects, of the abandonment of extraterritorial status in Turkey, and appealed to the sympathy and idealism of the American people which "have aroused the admiration and the love of the Chinese people". The note throughout was so replete with allusions to the material, commercial penalties reserved for those who do not promptly concede China's aspirations as to cast considerable doubt upon the admiration and love inspired by a nation of people so commercially craven as the Chinese statesmen seem to assume ours to be. It is not complimentary to America to find that these material and sentimental arguments were notably lacking in the Chinese reply to France. The latter note was a state document directed at the French Foreign Office; the note to the American Minister was an open letter directed at the American people,

composed with the evident object of appealing to a public not too well-informed, sentimental, and timid in face of commercial threats.

This note is valuable as an insight into the unwholesome opinion in which the American public is held by prominent Chinese statesmen.

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COMMENTS ON CURRENT EVENTS

October 8-21, 1929

1. General.
2. Background of Present Crisis.
3. Present Military Situation.
4. Sino-Russian Relations.

RECEIVED G/2 W. D. NOV 29 1929

1. General.

Despite the frequent disruptions and postponements occasioned the opposition groups by Chiang Kai-shek's effective employment of government revenues and favored divisions, the movement against the clique dominating Nanking gathers momentum. Optimistic announcements of the government officials notwithstanding, it appears that the opposition is succeeding in forcing what ma y be more aptly called a general election than a rebellion. To understand what is happening it is necessary to differentiate between the Central Government as an ideal and the compact group of individuals surrounding Chiang Kai-shek, which group is being charged with having monopolized the powers and benefits of government. It is not against the central administration that the opposition is directing manifestoes but against the personnel constituting the dominating clique in Nanking.

It is all very well for foreign sympathizers, as well as foreign and native business interests mutually involved with the Soong Dynasty, to deplore the attack on "the most promising regime China has ever had", but Chinese oppositionists have never been greatly influenced by foreign wishes or foreign opinion as to what were best for the Chinese. A reasonable analysis of the relations between the Nanking regime and the impressive number of leading personalities excluded from the favored clique will conclusively show how the mass of personal interest, a most impelling political force, is justifiably stacked against Chiang Kai-shek. The more altruistic political motives may be overlooked for the moment, if one would honestly appraise the present situation.

As the last Comments closed, Chang Fa-kuei's Ironsides were approaching the Kwangsi border, but Nanking's influence had worked so effectively among the rebellious leaders that the expected Kwangsi allies proved to be nebulous, and the combined attack on Canton failed to materialize. According to government reports, the Kwangtung troops promptly threatened Kwangsi and the important Kwangsi leaders announced their allegiance to Nanking. Chang Fa-kuei, whose attitude and strength are still vague, appears to be in western Hunan. Despite government reports that his forces are no more effective, Kwangtung troops have been despatched up the North River to prevent his descent upon Canton. There are some indications that he may be returning to the Yangtse Valley to join in the threat against Hankow. It seems probable that Ho Chien has assisted rather than embarrassed Chang Fa-kuei's movements.

The optimism of Nanking over the debacle of the southern uprising was short-lived. On October 10, Feng Yu-hsiang's principal subordinates issued a manifesto denouncing Chiang Kai-shek and demanding that he be punished, that the government be reorganized under Feng Yu-hsiang and Yen Hsi-shan and that the capital be returned to Peiping. The Kuominchun forces began moving eastward along the Lung-Hai Railway, into southwest

Honan and down the Han River valley. Since then there have been feverish military preparations by Nanking in disposing their forces to contain the Kuominchun in western Honan. The military preparations have been supplemented by even more energetic political measures to prevent the participation of numerous doubtful leaders in open revolt against "the government". Money and supplies have been lavished on the lesser leaders, while compromises and promises are being tendered the major figures in order to isolate the declared rebels. The details of all the bargaining in progress will never be known.

If all those leaders who for various reasons are at odds with Chiang Kai-shek can be held together, there is little doubt that Chiang will fall. However, if he can continue his previously successful method of isolating his enemies one at a time, he may again postpone the evil day. At this time no estimate of the situation, military or political, is possible. The situation is not essentially a military one, in any event. To speculate upon how one or more of a dozen commanders may decide is quite futile. It cannot be said how long Nanking's money will hold out. Yen Hsi-shan holds the ultimate decision. Were he to declare openly against Chiang Kai-shek, many smaller leaders would automatically join him and it is doubtful if Chiang could even attempt to resist the combination. Yen's neutrality, which is in effect passive resistance, may itself be sufficient to cause the downfall of the President. Yen insists upon a peaceful solution, but such solution presupposes the voluntary withdrawal of Chiang Kai-shek. There can be no immediate peace if Chiang remains.

The Japanese have what purports to be very confidential information to the effect that on October 17, the Kuominchun leaders issued another manifesto to Nanking of which the following are three known demands: Chiang Kai-shek must go; a conference of leaders to provide for the future reorganization of the government must be held in Peiping; that ultimately the capital must return to Peiping. Meanwhile, Chiang Kai-shek still defers his departure for the front in Hupeh and minor clashes are reported to be taking place just west of Chengchow, near Nanyang, in southwest Honan, and near Laokokow, on the upper Han River.

Aside from the major readjustment in internal affairs, which now seems imminent, all else in China is of minor importance. Manchuria, absorbed in her own affairs with Russia, adopts a neutral attitude towards the intra-mural situation and seems more than ever autonomous. Mukden has taken, or Chiang Kai-shek perforce has conceded, the initiative in dealing with Russia and it is believed that the Manchurian authorities are anxiously seeking a local settlement of the C.E.R. dispute. Russia, on October 13, by way of reprisals or in furtherance of her policy of making a settlement urgently expedient to the Chinese, conducted a major raid on Linkiang (Lahususu) at the confluence of the Amur and Sungari Rivers.

2. <u>Background of Present Crisis</u>.

Due to the rigid censorship imposed by the government over the press and the means of communication, it is difficult to know the facts in the present situation. The official reports naturally are highly unreliable. The official organs express optimism regarding the suppression of the "rebellion" but the evidences of serious resistance to the government are not lessened.

The government's claims that the opposition groups are not harmonious and highly organized are probably correct. There are two identifiable movements against the government which have little in common except a mutual desire to eliminate C hiang Kai-shek. The Southern movement, considered entirely apart from the Northern opposition, may be considered as an "internal" party quarrel, in which, broadly speaking, there are two outstanding cliques: the Cantonese, which really holds the torch of the true Kuomintang; and the hybrid Chekiang clique of Chiang Kai-shek and his immediate followers. The former tends toward the left, while the Cantonese members of the latter, generally speaking, are right wing adherents. Complications are added by the semi-independent Kwangsi clique which is preponderantly right wing Kuomintang, but which also contains a left wing element. The foregoing broad differentiations are confusing enough, but not nearly so confusing as more intimate details would disclose. In other words, the Kuomintang is badly split within the party.

This may account for the rather perplexing developments in Kwangtung and Kwangsi just prior to the arrival of Chang Fa-kuei on the Hunan-Kwangsi border. Right and left wing Cantonese bargained with right and left wing Kwangsi adherents in a most intricate fashion and left the balance of power in both provinces in the hands of Chiang Kai-shek. The left wing Cantonese militarist, Chang Fa-kuei, temporarily found himself adrift. It appears that left wing opposition is too unpopular in the South to make headway against a moderate party leadership, even if it is in the grip of an unpopular non-Cantonese. Chiang Kai-shek may be a bitter pill to the true Cantonese but there seems to be little popular sentiment for a return to the disrupting ideas of Wang Ching-wei and Chang Fa-kuei.

All of the foregoing has to do with party dominance, which essentially is a southern matter. It is nevertheless very enervating to Nanking.

The opposition of the Feng-Yen group of militarists outwardly is anti-Chiang Kai-shek. More and more, however, one finds pervading the Northern movement sentiments of sectionalism and antagonism to the Kuomintang which, as at present constituted, is inseparable from the idea of Cantonese dominance in local affairs. The cohesion of the Northern opposition is perhaps no greater than that of the opposition to Chiang Kai-shek in the South. The attacks against him in the two sections never seem to have been coordinated nor synchronized——the attacks arise from wholly different motives——hence Chiang's continued existence. Nevertheless, there is no let-up in the opposition and each new threat finds Chiang Kai-shek with a government more military in character, whose base is no broader and whose financial obligations increase at a faster rate than the revenues.

The Southern opposition, if government reports are to be believed, has been effectively scotched for the present. The immediate crisis of the government comes from the North. The revolutionary leaders, Feng Yu-hsiang and Yen Hsi-shan, were never rewarded by "face" or in a material way as they believed their revolutionary services warranted. Not only did the Southerners in general, and Chiang Kai-shek in particular, reserve all the good things for themselves, but they failed to liquidate their revolutionary promises in providing a unique government for the benefit of the people. While failing to manifest a genuinely self-sacrificing trusteeship of those powers delegated to the Central Government, Chiang Kai-shek and his followers in the pride of power showed their unmistakable intention to eliminate,

one by one, the so-called feudalistic enemies of the government. This procedure clearly included Feng and Yen in turn, but these could not concede the omnipotence and revolutionary virtue which Chiang Kai-shek naively asserted to reside peculiarly in himself. When he refers to the party he means his party. The attitude of the Northern leaders is understandable if not defensible from the point of view of China's political progress. Chiang Kai-shek early began to spend all the national revenues upon his own military establishment and in purchasing the fleeting allegiance of chosen allies. The troops of those leaders destined for future extinction were given mere pittances or nothing, and provision was made so far as possible to deprive them of territory necessary for their subsistence. Northern leaders claim with justification that Chiang Kai-shek was starving them out. This was particularly true of Feng Yu-hsiang.

The politics involved in all of the high-sounding disbandment schemes were clearly an attempt to eliminate as many troops as possible of Chiang's rivals while retaining the strength and resources in his <u>personal</u> armies. H is device of designating his own forces "the national armies" and all others expensive personal establishments of feudal commanders deceives neither the Chinese people nor the leaders who conceive their national service to be on a plane as high as Chiang Kai-shek's.

It was what, rightly or wrongly, was believed to be unfair discrimination against the North by a small and decidedly unrepresentative clique in control of the party and government which forced together two such normally antagonistic personalities as Yen Hsi-shan and Feng Yu-hsiang. The relations of these two men which have puzzled observers for some months are hardly less clear at the present time. Further speculation as to what is in the minds of these two cryptic personalities is futile. Present developments should do much to clear this mystery.

On October 10, the passive attitude of Northern militarists was ended by a circular telegram issued in the name of Sung Chen-yuan, Shih Chin-tang and other Kuominchun generals denouncing Chiang Kai-shek for abuse of power leading to "private ownership of the state", personal corruption and nepotism, failure to provide for soldiers and civilians in the famine areas, the precipitation of civil war by fighting to eliminate rival revolutionary leaders, dishonest motives of enhancing his own power under the guise of disbandment, using the C.E.R. crisis to distract attention from internal affairs, and failure properly to handle the affair. In the manifesto, Yen and Feng were requested to come to the fore and assume responsibility for saving the state. Finally the signatories announced the beginning of a campaign to "kill the traitor for the sake of the country".

While Yen and Feng pretended to be unaware of the manifesto, it was broadcast from the Taiyuanfu station, and they replied together in such a manner as to admit the reasonableness of the charges, but advising a peaceful solution——which could mean nothing but a hint that Chiang's resignation was the peaceful solution. This sudden, if not unexpected, development was immediately followed by slow advances of the Kuominchun on three routes. Nanking replied with conventional official counter-charges, blackening the reputation of organizations and individuals which a little while before were devoted revolutionary units and heroes respectively. The counter-charges declared the rebels to be anti-government whereas the latter had scrupulously directed their attack at Chiang Kai-shek himself. Scurrying of individuals from Nanking to escape detention and the hurried circulation of negotiating delegates followed.

The government acted with the despatch and decision which characterizes Chiang Kai-shek's regime. Mr. Soong appealed to the Shanghai bankers for money; Chiang Kai-shek, through his agents, offered immediate benefits to the group of drifting, semi-independent leaders everywhere; troops were quickly concentrated; the propaganda organs, the most efficient operating agencies of the government, initiated their campaign of vilification of rebels and cajolery of doubtful leaders. Most important of all, every sort of pressure was brought to bear on Yen Hsi-shan to isolate him from the movement. Leaders of every category, including the Kuominchun generals, re-affirmed allegiance to the government, but only the recognized personal followers of Chiang Kai-shek sounded a note of defense of the President personally. The government spread propaganda, quoting Yen's ex-Chief of Staff, now Minister of the Interior, to the effect that Feng Yu-hsiang was being held in detention by Yen Hsi-shan, but the public was little convinced by this device.

The position of Yen Hsi-shan is the most important factor in the present situation. There is little doubt that Yen is genuinely trying to avoid further warfare; there is likewise little doubt that Yen insists upon the withdrawal of Chiang Kai-shek as the only means of bringing together all the leaders for cooperation in the government. Yen would broaden the base of government by admitting representatives of all factions; Chiang Kai-shek sees only confusion if the higher councils of the government are opened to conflicting elements——especially Northern elements which the Southerners can view with equanimity only as a <u>conquered people</u>. Chiang declares he will destroy the Kuominchun (and many others); Yen insists that all must live, including the Kuominchun, and that the latter must be assigned territory on which they can subsist. This is the situation in a nutshell.

The government and the Kuominchun are already at war and Yen, maintaining neutrality for the moment, still maneuvers for peace. If he declared war promptly Chiang Kai-shek would doubtless have to go. By hesitating, the government may accumulate all the doubtful elements and dispose of the Kuominchun in detail. The Northern Chinese, by nature reactionary and still unconvinced by the revolution, nevertheless cling to the old belief that "the rich man will not fight the beggar", which means that the well supplied divisions of Chiang Kai-shek will not endanger all they have by seriously fighting against the hungry Kuominchun.

Agents, who are believed to be qualified to speak for Feng and Yen, jointly assert that the movement is only begun, that important turnovers are soon to be expected, and confidently assert that a new government will emerge with very little fighting.

3. <u>Present Military Situation</u>.

At the moment, the Kuominchun alone is in declared revolt against Chiang Kai-shek. They are emerging from Shensi in three main routes. Sun Liang-chen with five divisions and two brigades (strength about 70,000) has moved eastward along the Lung-Hai Railway and by October 21, is reported to have advanced by arrangement to within a few miles of Chengchow. Another column of about four divisions under Sung Che-yuan is advancing from Kingtzekwan on Nanyang, in southwest Honan. The third force consisting of about three divisions (strength about 36,000) has moved down the Han River and is engaged in the vicinity of Laohokow (Hupeh). About four divisions are reported in reserve in the Tungkwan area.

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It is believed that the main effort is directed toward Hankow, and it is possible that the strength on the upper Han River is greater than shown above. There are four ex-Kuominchun commanders which at this time occupy the area from Sinsiang (northern Honan), north of the Yellow River to Techow in northern Shantung. From west to east there are Liu Chen-hua on the Kin-Han; Han Fu-chu, who recently moved from Kaifeng; Shih Yu-san at Techow. Ma Hung-kwei's cavalry, also ex-Kuominchun, is in western Shantung. These leaders still assert allegiance to Nanking, but their attitude is in doubt.

Chiang Kai-shek's main forces, consisting of some nine of his best divisions, are based on Hankow and at present defend the general line Chumatien-Nanyang-Laohokow. His secondary force of five fairly dependable divisions under Yang Chieh has moved via the Lung-Hai Railway into the Kaifeng-Linying a rea. Tang Sheng-chih's four divisions, badly supplied and believed to be allied with the rebels, are in contact with the Kuominchun near Chengchow. The situation of Chen Tiao-yuan in Shantung is insecure because of the side-fight threat of Sun Tien-nien and Liu Chen-nien from the long-disturbed northeast promontory of Shantung.

An estimate of the military situation is wholly impossible because of the haze surrounding the intentions of all of the commanders except Chiang Kai-shek and Feng Yu-hsiang themselves. Even Feng Yu-hsiang still remains "in retirement" in northern Shansi and could repudiate the actions of his own subordinates. It is difficult to see how he can conduct an effective campaign from such a distance.

So far as is known, there is nothing in the Southern situation which vitally affects the clash between North and South. It might even be disclosed that the southern domestic quarrel, which promised to be more serious, was somewhat healed by the mutual fear of the recrudescence of the northern threat.

4. <u>Sino-Russian Relations</u>.

It is interesting to observe how casually Chinese leaders relegate to the gods important international affairs while engaging in more vital internal quarrels. Mukden is left alone with the doubtful honor and certain responsibility of handling the military and diplomatic problems involved in the C.E.R. dispute. The Manchurian leaders have adopted a neutral attitude toward the crisis within the Wall. Their hands are full with the costs and embarrassments created by the Soviet activities along the frontier. The situation assumes more menacing aspects and the leaders can no longer take lightly the crisis they brought on with such casualness. Important conferences have been necessitated to discuss the attitude to be adopted toward the internal Chinese situation, the diplomatic attitude toward Russia, and to face the fact of a possible military occupation of the railway zone.

On October 10, the German Government proposed to China and Russia that all prisoners then held in each country be released as a prelude to entry into formal negotiations. No response is known to have been received to this reasonable suggestion. On or about the 11th, Moscow transmitted through the German Embassy another note of protest against alleged specific cases of violation of her frontiers by Chinese troops or irregular bands, and attacks on Russia's river shipping. The note as usual ended with a threat of reprisals. It was probably in keeping with this threat that a large-scale raid was made on Lahususu (Linkiang) on October 12th and 13th.

This raid and the Chinese counter-measures on the following days have been described with considerable color and exaggeration. Since both the White Russians and Chinese sources of information inject various political motives in all reports, the facts are difficult to obtain. However, it appears that this is the largest military incident which thus far has occurred. The Russians, in a combined land and naval operation occupied the city of Lahususu at the juncture of the Amur and Sungari Rivers and supplemented their reprisal motives by securing large supplies of grain stored there. On the 15th, according to some reports, the Chinese attacked the city with a formidable land and naval force, and after severe fighting drove the Russians across the River. Both sides lost river boats and a considerable number of men. Other reports indicated that the Russians withdrew voluntarily after the raid.

A news report from Nanking, October 21, states that the government has received reports from the Minister in Berlin to the effect that the obdurate attitude of Karakhan makes further negotiations impossible. It goes on to say that Foreign Minister Wang instructed the Minister in Berlin to discontinue further informal negotiations, and wired Mukden to strengthen the border defenses. The article adds:

> "At this morning's Sun Yat-sen memorial service Dr. Wang attacked the Soviet policy toward China as opportunist and tortuous, declaring that every move of Moscow in China had been made with an eye to the Chinese domestic situation and that there was no doubt of its close connection with the rebels. Dr. Wang concluded by re-affirming his faith in the ultimate triumph of China in the present controversy if the people and government should continue to present a united front toward Russia."

A Reuter news despatch dated Riga, October 22, states that a local correspondent learned of a meeting in Moscow in which it was decided that Russian troops would be ordered to occupy the C.E.R. zone. It was predicted Harbin would be occupied in a month. Whereas local correspondents place little credence in the report, in view of recent developments, it is not to be taken lightly.

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COMMENTS ON CURRENT EVENTS

October 22-November 4,1929

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5. Yen's Mind Versus the Militarists.
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RECEIVED G/2 W. D. DEC 7 1929

1. General.

Since the last Comments were prepared, the general line of contact between the Kuominchun and government armies has advanced southeast from Loyang and down the Han River valley. The contact has become closer and, despite the meagre news, it is known that in the area west and southwest of Chengchow there has been some severe fighting. The contending armies have taken and lost ground several times in the area of Tengfeng and Heishihkuan. According to the last available reports, the Kuominchun has been successful in approaching to within twenty-five miles of Chengchow, which appears to be its immediate objective. Either from political considerations or due to delayed concentrations, the Kuominchun permitted the government forces to make deliberate dispositions over a long period during which Chengchow seemed easily obtainable. The expected turnover of Tang Sheng-chih failed to materialize and Chengchow is now having to be fought for. While the government forces are on the defensive, it does not appear that Chiang Kai-shek has employed many of his best troops.

None of the wide-spread open disaffections of "gray" commanders predicted by the Chinese has as yet occurrred, and the war thus far has resolved itself into a combat between the Kuominchun and Chiang Kai-shek's own forces, supplemented by mercenary "gray" troops. The allegiance of the latter will largely depend upon the government's successes in the first major engagement. Press censorship is rigidly enforced and little news except official reports is available. The initial optimism of the government officials has given place to evident concern as the Kuominchun stubbornly threatens the railway junction at Chengchow. Kuominchun raiders temporarily interrupted the railway near Chumatien. Latest official reports admit Kuominchun advances in western Hupeh designed to turn the government position at Sinyang, in the upper Han River valley.

Other disturbing features to Nanking directly or indirectly affecting the general stability of the government are: a reported movement of Yang Sen toward Ichang, the activities of unsuppressed bands of Fang Chen-wu's rebellious units in Anhwei, and a new threat of uprisings in Kwangtung associated with the presence of Chang Fa-kwei on the Hunan-Kwangsi border.

The enigmatic position of Yen Hsi-shan has been the most sensational and puzzling feature of the present situation. Due to a visit of foreign journalists to Shansi and the desperate importunities of Chiang Kai-shek's agents, certain facts have come to light regarding the Yen-Feng

relationship. Yen's silence and apparent activity remain the cryptic center of attention, maddening to observers but agonizing perhaps to Chiang Kai-shek, and upon occasions to Feng Yu-hsiang as well. There is little doubt that this master of old-style Chinese politics has attained the position where he can make Chiang or Feng dance to his tune. He may hold the secret for emasculating the powers of both to the point where the mildest revolutionary becomes the strongest of them all.

Sino-Russian relations have been transformed into a Russo-Manchurian affair, diplomatically as well as militarily. Russia, observing China's internal troubles, continues her war-like methods to force a peaceful and advantageous solution, and occasionally raids to collect grain. Mukden, a suppliant for an early settlement, is rapidly abandoning face-saving and quibbling.

2. Military Situation.

For convenience, the present general line held by the Kuominchun (all places inclusive) will be mentioned at once. As nearly as can be ascertained it is as follows: Heishihkuan (on Lunghai Railway)—Mihsien—Lushan—Chenping—Tengchow—Kwanchwa—Fanghsien—Chushan.

Since the last Comments there have been slight Kuominchun advances in the Han River valley. Kuominchun units are reported active in the Fanghsien—Chusan area as if planning to turn the government position at Sianyang. Unconfirmed reports state that Nanyang was captured by the Kuominchun on October 27. The only severe fighting thus far has taken place on the Lunghai Railway near Heishihkuan and at Tengfeng, southwest of Loyang. About the end of October, the latter place changed hands several times. The Kuominchun maintained the offensive and badly handled two of Tang Sheng-chih's divisions, or else these divisions disintegrated with little resistance.

By November 1, the government field headquarters of Ho Chen-chun had moved back to Hsuchow on the Kin-Han Railway and the Kuominchun are believed to have captured Mihsien, about twenty-five miles southwest of C hengchow. Sun Liang-chen's troops probably advanced slightly east of the Lo River on the Lunghai Railway.

Chiang Kai-shek, who left Nanking on October 28, hastened to the front from Hankow on the 31st, but was delayed at Sianyang by a disruption of the railway caused by raiders near Suiping. He arrived at Yencheng on November 3, where he seems to have established his field headquarters. There are evidences, even from government reports, that the threat against Chengchow has caused Chiang great concern and has depressed government circles. Ho Chen-chun, who assumed command of Tang Sheng-chih's doubtful divisions, over Tang's own doubtful head, is reported to have been relieved for having lost Tengfeng. Chiang's dependable divisions, with one exception, have not yet been engaged in the fighting.

Due to the strict censorship on military news, no detailed account of the action is possible. Chinese observers and one foreign officer at Chengchow whose observations are available to this office, find it impossible to observe or transmit news of the operation. It is interesting that the government wounded are largely the result of Kuominchun bayonet and sword fighting, since Feng's men are trained to hoard their scanty ammunition.

3. Other Military Stirrings.

At the end of October, Canton again began to feel uneasy. There were troop movements into northern Kwangtung and fear of Communist uprisings in the radical infected East River districts. There are rumors of various disaffected elements assemblying on the Hunan-Kwangsi border where Chang Fa-kuei seems to be intact, in spite of official reports of his dispersion. He has lately been reported in force in Kweilin and Liuchow. Chen Chi-tang maintains his headquarters at Wuchow.

The situation in the Kwang provinces is highly unstable, and involves factors more complicated than a threat from Chang Fa-kuei. If the Northern rebellion succeeds in unseating Chiang Kai-shek, an attempt would almost inevitably be made by left wing Party elements to establish a new government at Canton. The Communists in the South likewise would take advantage of the disorganization to try to round out an enclave.

Yang Sen is reported to be preparing to move down river toward Patung. This must be construed as a step in the plans of the Chihli Party leaders to rehabilitate themselves. There is a plainly discernible crystallization among this group centering about Wu Pei-fu. It has enjoyed the wooings of both Nanking and Taiyuanfu and seems to be casting its lot with the latter. Sun Chuan-fang and Wu Pei-fu are believed to have turned down Chiang Kai-shek's offers, and Chi Hsieh-yuan, circulating among his old divisions in Shantung, has been recognized in a recent proscription by Nanking. If the conference predicted by Feng is convened "after the fall of Chengchow" it will be an interesting assembly of pre-revolutionary notables, in which a Cantonese dialect will contribute little to one's popularity.

Manchurian leaders plausibly have pled domestic difficulties as a reason for neutrality in the present affair. Despite the Young Marshal's personal predilections for Chiang Kai-shek, the rising influence of the older leaders will not be thrown in the balance in Nanking's favor. Feng claims that they, and the Young Marshal, are definitely aligned in favor of the new government in which all interests will have representation.

4. Some Facts and Some C urrent Rumors.

In Report No. 7614, Captain Tenney, Assistant Military Attache, gives his impressions of a recent interview with Feng Yu-hsiang which he attended, and the statements made to him by Shang Chen, now Chairman of the Shansi Committee, who has lost favor in Yen Hsi-shan's eyes. Report No. 7615 is the journalistic report made of the same interview with Feng by Mr. Timperley, an intelligent representative of the Manchester Guardian and the Chicago Daily News. I shall assume that the contents of these reports are known.

The remarkable relationship between Feng and Yen has been frequently discussed by this office but never clarified, for the reason that it has never been understood. This relationship is the most vital feature of the present situation, but another analysis of it in light of new available information leaves one almost as confused as ever. As is well known, Feng voluntarily placed himself a hostage in Yen's hands and is now supported by Yen, in more comfort than Feng ever experienced, near the latter's ancestral village, eighty miles northeast of Taiyuanfu.

From here Feng, now an admitted rebel, directs his forces in their attack on Chiang Kai-shek. To this place Feng's agent invited a party of selected foreign journalists, who heard Feng frankly disclose for publication his rebellious activities and objectives, and include Yen, as a peculiar partner, in these activities. Yen, a few miles away, was politically ill and did not receive the journalistic party (see reports referred to above).

The nature of the Feng-Yen partnership, claimed by Feng but never admitted by Yen, is at best only partially disclosed. Yen has publicly admitted no anti-Chiang Kai-shek sentiments nor made any outward military moves for or against the government. He keeps up at least the pretense of carrying out Nanking's administrative orders in the areas under his control. He receives Chiang Kai-shek's most important delegates and is reported actually to have accepted Nanking's appointment as Assistant Commander-in-Chief of the Army, Navy and Air Forces of China. He is quoted occasionally as having uttered beatitudes concerning his desires for a peaceful solution. He is unrestrainedly courted by Chiang Kai-shek and the Party, and, it is suspected, no less so by his rebel guest. So far as can be publicly observed his attitude has been the quintessence of negation. He neither confirms nor denies Feng's allegations as to his functions in the rebellious partnership. Shansi is a neutral zone from which the Kuominchun conducts rebellion; in Taiyuanfu, the local Kuomintang chapter issues manifestoes against Feng, the Rebel. Yen's mind is an enigma to his closest subordinates. Through what appears to be the most scrupulous inaction he momentarily is the most potential figure in China!

How utterly impossible it is to apply the convenient and conventional yard-sticks of western social and political conceptions to a country where the welfare of millions hangs upon a situation so chimerical as this.

5. <u>Yen's Mind Versus the Militarists</u>.

The political and military clouds which have been steadily growing more ominous finally storm-centered upon Honan, The fighting there now in progress promises to be conclusive only in-so-far as the results will definitely affect the decision of numerous doubtful leaders whose actions, in turn, will decide the temporary fortunes of Chiang Kai-shek and his personal following. The actual military developments have been of secondary interest, and perhaps of secondary importance, to the psychological manifestations disclosed by the incomprehensible relationship existing among the three big leaders, Yen Hsi-shan, Chiang Kai-shek and Feng Yu-hsiang.

The vital interest of observers has quite properly been centered more upon the small village in Shansi than upon the tightening battle line in Honan, for the outcome of the immediate situation depends so largely upon intentions still locked in the inscrutable brain of mild-mannered Yen Hsi-shan.

It is generally believed that a word from him would send Chiang Kai-shek a fugitive to Japan, or disperse the revolting Kuominchun armies which are now definitely involved against numerically superior government forces, but whose rear is completely open to attack from Shansi, and whose commander is a hostage in Yen's home village. Yen does not speak

the word. This silence, and the psychological ramifications attending it, would seem to be a convincing refutation to those who contend that racial differentiation and variation are more superficial matters of cultural influence rather than profound and lasting differences, the denial of which keep inter-racial relations on such unsound bases.

Were all the facts known in the fantastic struggle among the three prominent actors on the present Chinese stage, the western mind, failing essential psychological perceptions, would still understand little of the play. Truly, some things can never be known "to those who eat with forks". It is only by rather futile attempts to think as Chinese think that one approaches the slightest comprehension of the "situation" in China today. In this situation all that is old in China remains and the feeble appearance of what may be considered change only contributes to the confusion. One is impressed by the hopelessness of trying to elucidate a situation which few Chinese, and no foreigners, grasp and which, if understood, could not be expressed in ideas current in the West. What estimate of a situation or what logical reasoning can disclose what Yen Hsi-shan is thinking!

In very general terms, two opinions exist as Yen's real intentions. One is that he is playing the traditional, old-style politics of setting the stage for a battle between his two most potent rivals whose mutually inflicted damages will leave him supreme. The indisputable fact that the emergence either of Chiang or Feng with unusual powers would place him in a very precarious position, accounts for the reasonableness of this opinion. The other possibility is that Feng and Yen have formed an unusual partnership to effect the common objective of eliminating Chiang Kai-shek, in which they assume no technical responsibility for the other's acts. Each reserves the right, when convenient, to deny the other. This arrangement (in China) permits an infinite number of advantages. Feng, confident of his military strength, feels he does not need Yen's military assistance, and he, as a declared rebel, attains perfect freedom of action. Yen remains technically in the government and closes no channels of approach for his political activities. He is not isolated and barred from easy negotiations with any of the "gray" leaders. He keeps Chiang Kai-shek on tenter hooks, and can still demand a share of government revenues.

The acceptance of the seals as assistant commander-in-chief is the perfect stroke. It does not force him to fight, but if Chiang is driven out by his fighting partner, ipso facto he is head of the government without ever having incurred the stigma of rebel. At that well chosen moment when the two contestants have worn each other out, Yen is in position to demand that the bloodshed cease. Even his partner, Feng, must be sufficiently weakened as not to become an immediate menace to the new regime.

This analysis is not fanciful. It is as near an approach to what the Chinese are thinking as I can express. The latter conception of the Feng-Yen arrangement is as Chinese as the first and offers better scope for Yen's natural abilities. The facts as known at present would indicate that Feng and Yen are working <u>together</u> to the extent mentioned above. This may be what Feng meant when he parried the journalists' question as to the extent of Yen's military assistance. In effect he s aid, "Don't embarrass me with that detail——we are a union".

6. Russia and Manchuria.

(For a general discussion of this subject, see Report No. 7613.)

For the present, Nanking may be considered divorced from the Manchurian situation. Whatever Mr. C. T. Wang says must now be discounted, or disbelieved, lacking confirmation from more reliable sources. It is a fact that Mr. Wang's bitterest enemy, Mr. Wellington Koo, in an entirely unofficial capacity, except his position in Chang Hsueh-liang's golf cabinet, now exerts more influence on the course of Sino-Russian relations than does the Minister of Foreign Affairs. The same may be said of another member of the golf cabinet, and a foreigner, Mr. W. H. Donald, who is in direct communications with Mr. Karakhan, as intermediary at Chang Hsueh-liang's request, seeking to pave the way for the opening of negotiations directly between Mukden and Moscow.

On October 23, following the arrest a few days before of a number of suspected Communist agents, the Harbin police raided and searched the Soviet Consulate-General and arrested three inmates. Neither the object nor result of this action has been announced.

On October 30, airplanes dropped bombs on Fuchin (30 miles from the mouth of the Sungari). The next day a landing was made from a river flotilla and the city occupied. No details of the fighting are known. Following a voluntary withdrawal of the Russians, the town was re-occupied by the Chinese on N ovember 2. The Chinese suggest that the motive was the collection of grain.

Unconfirmed reports mention reinforcement by the Russians in the Suifenho sector, at which place the Chinese fear another attack. The Chinese garrisons at Manchuli, Heiho, Fuchin and Suifenho all seem to be showing nerves over the recurrent Soviet raids. No reliable information is available here causing me to change the conclusions stated in Report No. 7613, regarding Soviet intentions. It is true, however, that the Russian troops are manifesting great activity with the object, it is believed, of intimidating the Chinese officials into more complete willingness to concede a settlement on most favorable terms.

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COMMENTS ON CURRENT EVENTS

November 4--18, 1929

1. General.
2. Military Situation.
3. Political Efforts to Compromise.
4. Sino-Russian Situation.
5. The Foreign Office Unaffected.

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1. General.

From the mass of propaganda and utterly unreliable "official communiques" one can isolate a few near-facts which indicate the course of action in the civil war in Honan and Hupeh. The Kuominchun offensive, directed southeastward from Loyang toward the Kin-Han Railway at Hsuchang (Hsuchow), expended itself within some fifteen-twenty miles of the railway by about November 7. The government forces then assumed the offensive and forced the Kuominchun very slowly back on Loyang. By November 18, the rebels were still defending on the general line Yenshi-Lushan.

The government announces its intention to push on toward Loyang. The Kuominchun, admitting the failure of their plans to reach the Kin-Han, have since become aggressive in the Han River valley and have seriously threatened or taken Siangyang. It is not known if the Kuominchun is in sufficient strength in this area to divert Chiang Kai-shek's strength from the offensive toward Loyang. The effect of such diversion would be morally unfavorable to the government. The fighting thus far has been indecisive, but man for man, the Kuominchun has demonstrated its superior combat efficiency. The political influences at work still are of greater importance than the purely military factors in this situation.

Chiang Kai-shek has become definitely involved with practically all of his forces in Honan and Hupeh. His back areas in some instances are insufficiently garrisoned and uprisings of isolated groups of bandits and partially disbanded enemy units tend to increase. Meanwhile the Kwangsi faction has again risen in the South in cooperation with Chang Fa-kuei, whose forces are now invading Kwangtung. Canton is definitely menaced. This general party opposition is assuming serious proportions and there is a danger of its developing along rather radical lines.

Shanghai bankers and Nanking party leaders, while realizing that the mounting opposition to the government has been occasioned by Chiang Kai-shek himself, are now wondering whether his replacement has not already been too long deferred. Chaos has been created because of him, and it may be that even worse chaos is inevitable without him. The bankers and civilian leaders at Nanking are becoming anxious for peace by compromise.

From M/A, China Report No. 7622 November 18, 1929

From all outward appearances, Yen Hsi-shan remains on his absurdly neutral eminence, to the chagrin of many of his own people. There is little doubt that Yen's action, even his attitude, remains the decisive factor in the matter of whether Feng Yu-hsiang or Chiang Kai-shek is to be eliminated in the present contest, or what is more probable, that the affair ends in a draw. His inaction can be construed as anti-Chiang Kai-shek but it does not follow that he is altogether pro-Feng. Feng's erstwhile confident agents in Peiping now express some doubt as to how Yen intends to cooperate with the Kuominchun. Minor obstructions by Yen would go far in decreasing the chances of a successful outcome of the rebellion.

The Soviet military activity was renewed on November 17, in the Manchouli-Chalainor area, the purpose and extent of which is not yet known. All communications, railway and telegraphic, west of Hailar are disrupted. Aerial bombing by Soviet planes well into Chinese territory is becoming frequent at both terminals of the railway. Moscow remains obdurate to Chinese efforts to open negotiations.

2. Military Situation.

For an account of the wide-spread military activities in such detail as can be obtained see Situation Report No.762H.

It is admitted by the Kuominchun that their intention was to capture Chengchow by driving southeastward from Loyang toward Hsuchang (Hsuchow). Their own concentration was too slow, some expected political turnovers failed to materialize, and Chiang Kai-shek stopped their determined advance with difficulty on the line Mihsien-Yuchow. The latter suffered very heavy losses and was undoubtedly surprised at the combat spirit of the Kuominchun. Government financial tactics failed against the Kuominchun divisions. However, with greatly preponderant strength in the area, on about November 8, the government forces took the offensive slowly against stubborn resistance, pushed back the Kuominchun to the approximate line Yenshi-Juchow. Mihsien is believed to have been recaptured on November 9, and Tengfeng was taken on the 17th. Aside from the fighting, very perplexing negotiations are taking place in this area which may result in sudden changes.

The Kuominchun, however, continued its advance down the Han River. By November 18, Siangyang was in a precarious position, if it had not fallen, and the Kuominchun units from western Hupeh had appeared at Icheng, further down the Han River. The government rushed all available forces to Tsaoyang where preparations seem to be in progress to launch a force westward to save Siangyang. No reports have been received of Chiang Kai-shek shifting divisions southward from his main forces, which continue toward Loyang. The strength of the Kuominchun reserves in the Siangyang area is not known.

It is generally believed that the government forces have been badly handled by the Kuominchun and that Chiang Kai-shek was spared defeat only by great superiority of numbers, and greater resources. Strangely, the hardest

fighting was done by Chiang's northern mercenary divisions. He has spent millions in purchasing the loyalty of the "gray" divisions and doubtless has made promises for the future which can never be fulfilled. Semi-independent leaders everywhere have joined in raids on Nanking's money and munitions as the price for their neutrality. The cost of a dubious military victory has mortgaged the future and only delayed Chiang's evil day. It is felt that Chiang's armies have been no match in combat efficiency for the Kuominchun.

Kwangtung and Kwangsi have had to be sacrificed, temporarily at least, in order to concentrate all resources in preventing Feng Yu-hsiang alone from upsetting the government. Following the defeat of the Kwangsi faction, the nominal allegiance of the Kwang provinces has been purchased outright with money, some of which has unquestionably been employed to support the organizations which have now recombined and, together with Chang Fa-kuei, are now advancing on Canton. As far as can be learned, Kwangsi is entirely in the hands of the rebels. These consist of the left wing Kwangsi commanders and the old familiar leaders which were dispersed by Chiang Kai-shek in the spring. Li Tsung-jen, Pai Tsung-chi, Yu Tso-po and Li Ming-jui are all in the field again. These are pushing down the West River while Chang Fa-kuei, whose force, according to Nanking reports, was decimated more than ten times, has pushed into northern Kwangtung. According to British official reports from Hongkong, his raiders have cut the railway south of Yingtak. Some units in the Cantonese army revolted and have been disarmed. Chen Chi-tang has hastily withdrawn his divisions from Kwangsi. He is preparing defenses on the North and West Rivers. Canton is again greatly disturbed and its fall is now considered likely.

In scattered areas, the removal of garrison troops has permitted considerable activity among bandits and half-disbanded units. These are reported in northern Kwangsi and on the Anhui-Chekiang border. Hu Tsung-to has re-emerged with a considerable force and is approaching Ichang from the southwest, using the slogan "Hupeh for the Hupehese". He may be cooperating with Yang Sen, who is dispatching troops down river.

The foregoing conditions taken together create a very serious situation for the government. The international crisis in Manchuria has not been mentioned. Whereas Feng Yu-hsiang failed to gain decisive victories at Chengchow, Chiang Kai-shek is not able at best to do more than force the Kuominchun slowly back into the mountains of Shensi. The general conditions elsewhere make it imperative for Chiang Kai-shek to disengage many of his loyal forces before his whole zone of the interior becomes chaotic.

3. Political Efforts to Compromise.

If there can be no decisive and hasty victory, which seems impossible, China may crack up into innumerable feudal areas while the large leaders tear each other to pieces. In order to avoid utter chaos an early settlement

by compromise is almost imperative. While compromise is the natural tendancy of the Chinese, Chiang Kai-shek and Feng Yu-hsiang alone seem inclined to demand a decision. Indications now appear pointing toward early attempts to force compromise upon Chiang and Feng.

Yen Hsi-shan's deeply hidden plans may at last become apparent in this situation. He has consistently refused to create a decision in favor of Chiang or Feng, which he could easily have done by the slightest positive move on his part. Now that their struggle, while not yet a draw, has resulted in a tight clinch, it should not be unexpected for Yen to demand that the bloodshed cease and that political chaos be forestalled——and with reason. His agents here suggest that there must be another battle, the innuendo being that both contestants need to be more thoroughly humbled. Yen has waited with irritating patience to see if either contestant was strong enough to eliminate the other. Feng has undoubtedly been given aid and comfort, but Feng is now Yen's hostage upon whom Yen may work his will when the time comes to enforce a compromise. Yen gave Chiang a fair chance by refusing to operate against him. He is morally in a strong position to demand that the country be saved by insisting that internal order be maintained rather than aggressive warfare continue. He can demand territory for the Kuominchun in order that they too may subsist.

That some such enforced compromise is in the air is presaged by some bits of recent news. Feng's agent in Peking, after weeks of evident confidence in Feng's ability to defeat Chiang Kai-shek and in Yen's tacit agreement to the plan, suddenly expressed concern that Yen might be double-crossing Feng. In view of the general situation, Feng's chances of decisively defeating Chiang are undeniably fair. Yen may have taken some action to discourage that hope. Insistence upon compromise would be sufficient. He would have enough reasons for fearing a victorious Feng, even more perhaps than a chastened Chiang Kai-shek.

The Shanghai bankers are reported to have tightened up on Chiang Kai-shek's credits. Bankers believe in compromise. They want a civilian government at Nanking but not a military dictator——either Chiang Kai-shek or Feng Yu-hsiang. The bankers likewise are desirous that the threatened general disintegration be stopped.

The majority of civilian politicians and statesmen at Nanking would be glad to see the two big militarists emerge from this encounter with diminished power and glory. In viewing the general disorganization, the fear of the disappearance of the Kuomintang government haunts them. They do not relish the return of a victorious Chiang Kai-shek but they need a subdued general to retain for them a capital to serve in. They want a compromise.

T. V. Soong, flying to Hankow, stopped in Nanking long enough to calm foreign representatives there with the assurance that "the Kuominchun has been bought", and that peace will soon come. Soong has become vain from his success

in wholesale purchasing of "gray" commanders. The Kuomin-chun cannot be bought except by the allocation of rich areas upon which to feed, and this would never be conceded them were it not that Nanking doubts Chiang's ability to defeat Feng's men. T. V. Soong probably means that great conces-sions are being made by Nanking politicians to the Kuomin-chun in order to save the wreck of the Nanking regime.

It appears then that the civilian party men in Nanking, Shanghai bankers and possibly Yen Hsi-shan are in collusion to force a compromise upon Chiang Kai-shek and Feng Yu-hsiang. In the resulting settlement, whatever its nature, all manner of unpredictable changes may be expected. One great military leader or two perhaps, may really go travelling abroad. It is unlikely that Yen Hsi-shan's health will permit him to go abroad——and his peace-loving nature may be in demand for healing the scars occasioned by more aggressive men. If the Kwangsi faction or the left wing Kuomintang become established in Canton, they will de-mand a victim for their recent sufferings.

4. Sino-Russian Situation.

The statement reporting the C.E.R. conflict by the Chinese Foreign Office broadcast on October 25, has been the object of several press attacks. The labored and incoherent nature of the statement was evidence of the difficulty con-fronting the authors in explaining a case which is difficult to defend. The statement was deceptive and indefinite when not inaccurate. The German press on November 4, refuted the Chinese assertion that Germany, after consulting both parties, had proposed the draft joint declaration in August. The facts were declared to be that the Chinese government on August 27, through their Berlin Legation, submitted the draft to the Berlin Foreign Office for transmission to Moscow.

It is confidentially reported from sources in Shanghai believed to be reliable, that Mr. C. T. Wang has secretly made known to Moscow that he is willing to concede all of Moscow's demands as a preliminary to formal negotia-tions, provided that all information regarding the Chinese concessions be kept from the public.

The attempts of the Mukden authorities acting through Mr. W.H. Donald, to initiate conversations with Moscow have elicited no response from Mr. Karakhan. Whether the Chinese have secretly opened channels for conversation is not known. Mr. Tsai Yung-sheng, formerly Commissioner of Foreign Affairs in Harbin and persona grata with the Soviet officials, has been reappointed by Mukden to Harbin with a view doubtless to his opening some such channels. The Chinese authorities in Manchuria are plainly eager to end the warfare on their frontiers by entering into negotiations looking to a settle-ment of the dispute. The Mukden government has been forced to float a loan, said to be $20,000,000, to provide for the cost of its defensive campaign. The Soviet attitude is puzzling. For reasons known only to Moscow, negotiations at this time are being warded off. There is no evidence here of any direct relations between Moscow and either Feng Yu-hsiang or the Re-organizationists in Kwangtung. Moscow doubtless desires to postpone negotiations so as to be able to reserve her demands awaiting the results of the present internal Chinese struggle.

The latest Russian "frightfulness" occurred on November 17, at the western extremity of the railway zone. The details are not yet clear but it is believed to have been another raid into the Manchouli-Chalainor area, accompanied by aerial bombing on a fairly large scale. A train moving east from Manchouli was bombed from the air on November 17, and then apparently surrounded and looted by cavalry troops. Both Manchouli and the Chalainor mines are reported to have been severely bombed. Communications west of Hailar are disrupted and it is reported that fighting still continues in the Manchouli area.

The Russians at Harbarovsk report that Chinese troops at Suifenho attempted to break into Russian territory on November 13. In view of the passively defensive Chinese attitude the report is believed to be unreliable. Soviet airplanes on November 17 bombed Mutanchan (10 miles west of Muling - Suifenho front), apparently with the intention of destroying a Chinese airdrome being prepared there.

Despite the incomprehensible warfare being conducted by the Soviet troops, there are as yet no convincing evidences of an intention to occupy the railway zone. No important increases have been reported of Soviet troops along the frontier, but an addition in auxiliary equipment, especially airplanes, is noted. The British Military Attache tells me that he is informed from London that tanks, armored cars, etc. (not in large numbers) are being supplied to the units on the frontier. On the other hand, he stated that the Polish general staff remains confident that Russia will not permit herself to become deeply involved in the Far East.

5. <u>The Foreign Office Unaffected.</u>

In the midst of most distressing internal and international conditions, the serenity of the Foreign Office remains unaffected. In any other country this would almost constitute proof of the stability of the existing regime. No honest observer, however, can admit, in the present circumstances, that the assurance of Mr. Wang is more than a crystallized hope for the permanency of his government.

The Chinese are so grounded in dramatics that realities are not painful, nor do they occasion that disconcertion which facts force upon western statesmen. A Chinese actress solemnly mounts a stage chair, with the labored assistance of two stage hands, and forthwith the chair becomes a percipice from which the heroine glorifies virtue before the leap——which leap she does not make, even from the dizzy height of the chair.

The irresistible forces to the extent often referred to in Mr. Wang's statements, which cause foreign statesmen to bend to Chinese will, do not really exist except as convenient figments in the Chinese dramatic minds; symbols which undeniably assist the rhythm and movement of the play. The actualities in China which constitute such formidable barriers to unity, reconstruction, etc., on the other hand, are recognized only as inconvenient interruptions to the play which to be disposed of need only be mentally dismissed.

The whole diplomatic paraphernalia and atmosphere in preparation for the elimination of extraterritoriality suggest the setting of Chinese artists for China's supreme diplomatic drama. What does not exist in the way of stage property is being feverishly constructed. Civil and criminal codes, modern courts of first instance and appeal, model prisons——all are being turned out by the Judicial Yuan either of skeleton construction or on paper. To the Chinese dramatists they exist. All of the disturbing acoustics of internal strife, and structural limitations of the theater, which cannot be eliminated, have been and are formally declared non-existent.

The play will be produced. If the literal western mind of the audience can free itself from that limiting and distracting sense of realities, as can the actors, the play promises to be a huge Chinese triumph.

Mr. Wang monotonously rehearses his lines which at present are climaxed by the impressive sentiment that "extraterritoriality will be unilaterally cancelled on January first".

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COMMENTS ON CURRENT EVENTS

November 19—December 4, 1929

1. General.
2. Sino-Russian Conflict.
3. Negotiations.
4. The Kuominchun Driven Back Into Shensi.
5. The Menace in Canton.
6. Anomalies and Confusion.

RECEIVED G/2 W. D. JAN 4 1930

1. General.

The brief period of two weeks covered by this report includes three important issues. Starting at the top of the map and working southward, in Manchuria has been observed the impatient "diplomacy" of Russia, in which, without admitting the technical state of war, the Soviet crumpled up the Chinese brigades west of the Hinghan Mountains by a large-scale raid and brought the Mukden authorities to accept Russia's terms preparatory to a settlement of the C.E.R. dispute by negotiation. In this decision of the Manchurian leaders, Nanking has exerted little, if any, influence.

In Honan, the slowly retreating Kuominchun were surprised and badly handled at Loyang, from which time a precipitate and somewhat disorderly retreat has been in progress through Tungkwan Pass into Shensi. Military defeat does not wholly account for the Kuominchun retreat. Money payments, deception, and some silent word of Yen Hsi-shan——all were involved in what resulted in a Kuominchun defeat with no corresponding victory for the government. Feng's armies in the Han River valley also are reported to have withdrawn beyond striking distance of Hankow.

Leaving chosen units to pursue and contain the Kuominchun, Chiang Kai-shek has hastened to Nanking to take stock of his political position, and to supervise the transport of reinforcements from the north to his threatened loyal forces in Kwangtung. The latter have gradually retired into the immediate area of Canton to await reinforcements while holding off the coalition of Kwangsi leaders and Chang Fa-kwei. Wang Ching-wei has been definitely located in Hongkong, from which place his nucleus of the "true" Kuomintang government hopes to move to Canton.

The military position of Chiang Kai-shek superficially appears more secure than it was a few weeks ago. However, in view of the compromising methods employed to postpone, but not eliminate, the menace of the Kuominchun, the Commander-in-Chief has added nothing to his prestige except the reputation of being the shrewdest, most forceful and decisive of Chinese militarists. The Chinese generally consider that he has again saved himself, but they still assume his ultimate elimination to be only a matter of time.

From M/A, China Report No.7626 December 3,1929

While Canton is at the moment seriously threatened, the military prospects of the party oppositionists in the South are not considered very bright unless strong political influences come to their aid. There remains the chance of a Kuominchun come-back if many government troops are shifted to Kwangtung. This again depends upon the attitude of Yen Hsi-shan. No less than from the beginning of the Kuominchun revolt, Yen Hsi-shan holds the fate of Chiang Kai-shek in his hands. Thus far he seems to have been highly successful in what seems to be his consistent policy, namely, blocking Feng's rise to power while denying Chiang Kai-shek such victories as might result in enhancing his personal influence. Yen unquestionably encourages measures designed to diminish the stature of Chiang Kai-shek while forestalling his replacement by Feng Yu-hsiang. His tactics have maddened observers, but have doubtless poisoned the hearts of Chiang and Feng.

Opposition has recently been directed at the Minister of Foreign Affairs, nominally based on his mis-handling of Sino-Russian affairs. Personal enmity may be at the bottom of the attack, or his stand on extraterritoriality may be too positive for the government to support at this time.

2. Sino-Russian Conflict.

There is believed to be no justification for Rykoff's statement on November 29, that "Soviet military forces had been forced to take more resolute measures to repulse provocative attacks by Chinese troops and White guards on Soviet territory and to defend the civilian population". There seems to be no doubt here that the military operation west of the Hinghan Mountains which began on November 17, was thoughtfully planned to impress China with the superiority of Russian arms, thereby restoring prestige in the future for Russians in China; to climax the intimidation which the series of recent raids has cast upon the Manchurian troops; and to impress the weightiest argument known to Chinese on officialdom in Mukden, in order to expedite a settlement of the C.E.R. dispute in a manner favorable to Russia.

In spite of frequent false statements which have emanated from Moscow officials in the past, Rykoff's further statement that "we do not desire to seize a single meter of Chinese territory" sounds fairly convincing that no annexation is intended. The length of time the area may be occupied, however, remains indefinite. It is to be hoped that some hitherto unknown Mongol tribe, with a "light portable" Soviet, does not develop a fiery brand of nationalism, feel the urge to manage its own destiny (except such as may be dictated from Moscow), and declare the areas west of the Hinghan alienated from China.

In view of the magnitude of the military operation that has been witnessed, one finds more than a smack of inconsistency when Mr. Rykoff says, "I very emphatically declare that the Soviet pursues no other object in China except peace". Russia's object in China a few years ago was hardly peaceful, as the West would define it. If the events from November 17, to the present time in the Manchouli area are considered a

peaceful manifestation, than the best that can be hoped for is that the Soviet will desist from her peaceful employment of military forces when China fully accedes to her demands.

As nearly as can be known from the fragmentary reports received, on November 17, both Manchouli and Chalainor were surrounded by large infantry forces, and cavalry troops, moving from the north, operated against the railway west of Chagan. Airplanes actively bombed Manchouli and Chalainor and disrupted the railway eastward thereof. A Chinese brigade each at Manchouli and Chalainor were cut off and surrounded. At the former place there was little fighting. The Japanese Consul seems to have mediated for the surrender of the garrison, and two days later the city was occupied by the Russians who claim the capture of 8,000 prisoners.

At Chalainor the Chinese garrison offered serious resistance according to Chinese official reports. 5,000 men are reported to have been killed, including the brigade commander and two regimental commanders. A few thousand men escaped in the direction of Chagan. Chinese refugees say the city was captured on the 18th; Chinese official reports claim it was not occupied until the 20th. The reports of loss of life here from aerial bombing are believed to be grossly exaggerated.

Chagan was probably occupied by Soviet cavalry but this is not confirmed. The Chinese troops west of Hailar were in full flight. On the 23rd, Hailar was bombed from the air and its disorderly evacuation was begun. The Chinese troops looted and burned before leaving, and there was great confusion in evacuating the Chinese civilian population. Many people without food took to the open country in the snow and severe cold. On the 24th the last relief train left Hailar and wire communications were disrupted. Buketo, on top of the Hinghan Mountains, was made the headquarters for the retreating Chinese troops. No Russian ground troops appeared near Hailar, and local Mongols took charge of the city. The sham of the Chinese army as a military organization was fully demonstrated.

So far as is known the Soviet troops are still policing the evacuated area but are not advancing. Their principal forces may have withdrawn across the frontier. The Chinese claim to be organizing for defense at the western foothills of the Hinghan. The statements, even from Chinese refugees, indicate that the conduct of Red troops toward Chinese civilians has been very moderate. White Russians were shown little quarter. The retreating Chinese soldiers engaged in the customary orgy of looting and savagery.

The Soviet air force continues to remind the Chinese of its superiority. On November 28, 13 Soviet planes severely bombed the Chinese headquarters at Buketo, and again the next day.

Mishan, on the eastern frontier, was entered by Soviet troops on November 22, and it was feared that the Mulin mines would be occupied. Latest reports indicate that the Russians have retired in this area.

3. Negotiations.

The military action seems to have accomplished some of its aims very promtply. On November 25, the Nanking Government sent identic telegrams to the signatories of the Kellogg peace pact and to the League of Nations. The telegrams reasserted the defensive attitude of China in the face of repeated Soviet attacks, charged Russia with invasion without declaring war, the massacre of "innocent Chinese citizens in cold blood", and ended with the hope that the signatories to the pact will "take appropriate steps to stop and punish this deliberate violation of the pact".

The Mukden Government took more pertinent and effective steps to gain immunity from Russian frightfulness. According to a strictly confidential wire from the Consul at Mukden, Tsai Yun-sheng, Commissioner of Foreign Affairs at Harbin, arrived at Mukden from Vladivostok on November 26, with Soviet conditions to be fulfilled prior to the opening of formal negotiations. The three conditions were accepted in principle the same day, with the proviso that the first and third conditions be referred to a joint committee to arrange the details for carrying into effect. The Consul added that the Old Manchurian Party was responsible for the acceptance.

The transaction is made clear by the following Tass quotation of the telegram sent by the Moscow Foreign Office to Chang Hsueh-liang. The "full acceptance" of the terms is still, however, a matter of doubt.

"Moscow, Nov.28. - The Acting People's Commissar of Foreign Affairs of the U.S.S.R., Mr. Litvinov, has sent the following telegram to General Chang Hsiao-liang:

'We have received your telegram of 26th instant declaring your full acceptance of the preliminary conditions as communicated in writing on the 22nd instant through Mr. Tsai Yun-sheng, the diplomatic commissar at Harbin. These conditions were as follows:

1. The official consent of the Chinese side for the restoration of the situation which existed on the Chinese Eastern Railway prior to the conflict, on the basis of the Peking-Mukden Agreements of 1924.

2. The immediate reinstatement of the manager and the assistant-manager of the railway recommended by the Soviet side in accordance with the Peking-Mukden Agreements of 1924.

3. The immediate release of all Soviet citizens arrested in connection with the conflict.

'In accordance with point 2 of the above-mentioned conditions the Soviet Government recommended the reinstatement of Mr. Emshanov as manager and Mr. Eismont as assistant-manager of the railway, and expects your immediate official confirmation thereof.

'As regards points 1 and 3 which have been also accepted by you the Soviet Government proposes as soon as point 2 has been fulfilled that you send your representative to Harbarovsk with official written credentials, and for its part the Soviet Government appoints

Mr. Simanovsky, the Soviet agent of the People's Commissariat of Foreign Affairs at Harbarovsk for the discussing of technical questions connected with the carrying out of these points as well as for the settlement of questions concerning the time and the place of the Soviet-Chinese Conference'."

A detailed account of events which preceded the foregoing exchange of notes was given in an official communique of the Moscow Foreign Office published by Tass on November 28. When Moscow chooses to engage in open diplomacy, the Foreign Office tells the details unsparingly. It does not, however, follow that the statements are always true.

Messrs. Tsai Yun-sheng and Li Shou-keng arrived at Grodekovo on November 30, en route to Harbarovsk to meet the Russian delegate, Mr. Simanovsky. In view of the foregoing circumstances rather precisely, if correctly, exposed by the Soviet Foreign Office through Tass, the denials by Nanking, through "Chinese circles concerned" (Kuo Wen, November 29), that Mukden has agreed to Russia's three conditions, lose much of their force. Mukden's publicity secretary has also denied in ambiguous language that a surrender has been made to Moscow's demands. Neither of these demands, in view of known circumstances, can be taken seriously. Either Nanking is deliberately deceptive regarding the transaction, is not informed, or Mukden's agreement "in principle" as reported by our Consul was clever dilatory tactics on their part. It will be noted that the Soviet reply quoted above alludes to Chang Hsueh-liang's "full acceptance of the preliminary conditions".

4. <u>The Kuominchun Driven Back Into Shensi</u>.

Due to a perplexing sequence of events, involving huge financial transactions, military action, deception, and at least a sign from the cryptic Yen Hsi-shan, the Kuominchun armies, largely intact, are in full retreat back into the famine areas of Shensi. The details of Chiang Kai-shek's shrewd financial, political and military moves will leak out gradually, but are now only the subject of infinite speculation.

It will be remembered that the Kuominchun proved themselves militarily unable to reach the Kin-Han Railway. They were fairly but not decisively defeated and were then slowly pushed back on Loyang, occasionally with severe rear-guard engagements. Meanwhile the rebels advanced down the Han River with appearances of considerable success.

The action southwest of Loyang for awhile seemed to have reached a stalemate, and Nanking reported that Sun Liang-chen was negotiating to sell out. Nevertheless, the Kuominchun main body inexplicably began a withdrawal, as if fearing an attack from Shansi. Then suddenly two divisions, by a rapid march from the south, made a surprise attack on Loyang on the night of November 19. The local garrison and commanders were completely surprised and great confusion ensued in the hasty route from the city. The government

troops captured many men, quantities of stores and money, and almost caught Sun Liang-shen himself. The best explanation of this occurrence seems to be that Sun Liang-chen, either to get money or to gain time, pretended to be selling out. Chiang Kai-shek, knowing his plans, likewise pretended to be awaiting negotiations but sent a large flanking detachment and caught Loyang unawares.

The Kuominchun retreat was greatly disorganized among the rear elements, but the steady march toward and west of Tungkwan Pass was not seriously interrupted. The pursuit is not being pushed. By December 1, there seemed to be a withdrawal on all fronts to a line generally along the Shensi border.

Several of Yen Hsi-shan's divisions have appeared on the north flank of the retreating column but are not believed to be intent upon engaging the Kuominchun. Some suspicious, if indecisive, action on Yen's part is thought to have caused the beginning of the general retreat. This however is not to be construed as an enemy act on the part of Yen toward the Kuominchun.

By whatever combination of maneuver, military and political, it was accomplished, the Feng menace was sufficiently relieved by November 22 to permit Chiang Kai-shek to leave the Honan front. Tang Sheng-chih and Ho Chen-chun were left in charge of the pursuit and retention of the Kuominchun in the North, and the Commander-in-Chief arrived in Nanking on the 25th, where he was immediately in the thick of preparations to suppress the Party rebellion in Kwangtung and Kwangsi. His speed and decision were admirable and would be deserving of greater appreciation among a people more positive than the Chinese.

The rebellion in the North has not been crushed. It has temporarily been suppressed. As the terms of the compromises fall due and as the financial obligations mount, future military operations will be undertaken as the situation permits.

The coalition of right and left-wing Kwangsi leaders with Chang Fa-kwei is gradually closing in on Canton from the west and north. With many differences among themselves, the rebel leaders are unanimous in their antagonism to Chiang Kai-shek. Their present mutual interest lies either in replacing Chiang, as head of the Party, by Wang Ching-wei, or in forming an independent government of the "true" Party at Canton. In a circular issued about the middle of November, the rebel coalition rehearse their revolutionary hardships, announce their intention of occupying Kwangtung, and then proceeding to the north for the purpose of "executing the will of the late President Sun Yat-sen by removing dark shadows cast upon the Party and State".

Very little is known of the extent of political organization back of the movement. Wang Ching-wei, whose date of arrival in Hongkong is still unknown, is said to be demanding terms of Chiang Kai-shek regarding Party reorganization, and threatening the formation of a new government if his terms are not met. Chiang's answer has been the despatch of a

formidable expedition which promises to crush the military revolt, for a time at least. The Party Central answered by expelling nine of Wang Ching-wei's followers from the Kuomintang. It has not yet been so bold as to dismiss Wang, who still enjoys immunity from ordinary processes because once he basked in the favor of Dr. Sun.

By December 2, the rebels were closing in on Cantonese organized positions which extend roughly on the arc of a circle with a 30 mile radius from Canton. The Kwangsi forces under Huang Shao-hsiang are moving down the West River, while Chang Fa-kwei is approaching from the northwest and north. Slight skirmishes had occurred but no serious fighting. The Cantonese had been outnumbered but were being steadily strengthened by the arrival of reinforcements from the north. Without unforeseen political turnovers, the military advantage of the government forces should soon render another revolt abortive. Ho Ying-chin is in Canton as representative of Chiang Kai-shek, who now considers it inexpedient or unnecessary to proceed to the front.

6. Anomalies and Confusion.

The observation of observers in China is in itself not without informational value. By nature the professional observer seems impelled to entertain positive views. He must never express doubt concerning the causes and results of the latest "situation"; his picture must be sharply drawn. If his colors blend and his picture becomes an impression only, the element of doubt is admitted and his professional status is lost.

The professional observer has almost disappeared. Those who have not become re-born into the student class have largely retired from view, and the few unregenerates have simply becomes bores among thoughtful men.

The fact is that most honest observers in China are hopelessly confused by the clash of political and social phenomena about them---a clash the nature and extent of which no previous revolution has ever quite provided for comparison. Nor does the confusion arise altogether from the proximity of resident observers. A distant perspective, geographically speaking, adds little to the clarity of the observer. The intellectual detachment (and often idealistic insulation from facts) of those who speak of the "long view" often results in such complete detachment from the realities that, for all practical solutions, their conclusions, as to what Sino-foreign relations should be, are of no more value than are the fixed ideas of fundamentalists in arriving at the origin of man.

China, with her huge population, immense land area, extremes of climate, varied economic interests, mass inertia and ignorance, marked racial and social differentiation, has suddenly, historically speaking, come head-on with western civilization which, for good or evil, now promises to become

the world civilization. This impact, with relatively little cushioning of preparatory intercourse, has created an unique situation which permits the simultaneous existence of varied, and often opposed, political and social phenomena. The most vital forces which have thus been brought into play are not the natural resultant of Chinese thought and experience, but have been voluntarily introduced, fully developed, from the outside by small groups of Chinese. In some instances these disturbing forces have been imposed, also fully matured, by organizations of foreigners abroad.

Industrialism, with its machines, has nothing in common with Chinese civilization but has inevitably pushed its way across the seas. The impulse to modernization has been voluntarily imported by small Chinese groups, or forced upon China by its western proponents, who can no more be silent than can the tides be suppressed. Chinese militarism, with its dubious advantages, has imitated its western betters. Among a limited class it has come to be considered essential to China's progress, and is now rampant, if ineffective. Nationalism, with its urge toward unification, is not native. This idea was impressed on Chinese youth by every foreign cultural worker and was brought back from its European and American sources by every returning student. Internationalism and imperialism, in peculiar and not unattractive forms, have always been known in China. In their more aggressive forms even these have, by a limited class, been introduced from abroad with an unwelcome insistence.

Profound and mass pacific consciousness is being disrupted by futile but very vehement militarism. Great bodies of men who have not fully grasped the scientific significance and possibilities of a modern rifle are being blown to pieces by aerial bombs dropped from the latest products of western engineering skill. "National" armies cling to feudalistic tactics while employing scientific machines of war.

A medieval background is being illuminated by occasional flashes of modernization, which flashes increase in frequency and power. A Fourteenth Century civilization is laid bare to critical, modern eyes.

The roots of feudalism cling tenaciously in favorable ground against the attempts, dynamic but limited, of a tragically small, enlightened group to replace it with nationalism and unification. Ultra-modern groups would omit the intermediate course of nationalism and jump ahead to internationalism. Previously accepted laws of normal sequence in political and social phenomena are discarded.

Post-Wilson rhetoric and oratory obscure the purest form of Machiavelian diplomacy in both internal and international relations. Laws are enacted for their publicity effect alone.

Handicraft is being attacked along its edges only, but very effectively here, by the machine and fully developed industrialism. This regional industrialism is supported by an irresistible foreign capitalistic system. Human animals drawing heavy carts between ships and railways occasionally

in vain destroy motor trucks which gradually replace them. Fine theories of rights of labor are ineffectually impressed upon workers in primitive sweat shops and modern industrial plants alike, with the inevitable wasteful results. The administrative methods of medieval Chinese households are applied with disastrous results to corporate enterprises. The primitive aid to the distribution of wealth, known as squeeze, fights against fixed pay scales in official and commercial activities. One-half of the employee's and official's time thus is spent in collecting proper reward for his work.

Thus in social, political, military and economic evolution the transition is taking place abruptly and disjointedly. Friction is being created in all spheres at once. Old China and new China clash in all human activities. In some instances the friction is highly localized, heat is generated and there is fire. In specific situations, the observer cannot tell whether the old or new idea will predominate, nor for how long. In the revolution taken as a whole, it requires little acumen and breadth of vision to state that "sweeping change is in progress". To mumble generalities about the "long view" is comfortable and liberal-sounding but it brings one nowhere in his search for precise factors bearing upon particular problems in Sino-foreign relations, some of which require early solution if world interests are to be subserved.

That confusion among observers is general is not to be wondered at. That old formulae, applicable to the China of a few years ago, often fail to apply today is not surprising. Certainly, formulae written, and rather blatantly announced, by new China can be applied only rarely and with caution. That ventures in prognostication should be accepted cynically is but natural.

With every phenomenon known to political and social science throughout the ages operative at once, the way of the observer in China is hard.

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COMMENTS ON CURRENT EVENTS

December 8-17, 1929

RECEIVED G/2 W. D. JAN 18 1930

1. General.
2. Revolts of Shih Yu-san and Tang Sheng-chih.
3. Positions of Yen and Feng.
4. Canton Menaced and Saved.
5. Sino-Russian Dispute on Way to Settlement.
6. Miscellaneous Notes.

1. General.

Disregarding the confusion of battlefields and political market places of the past nine months, it would seem that the National Government of China has shrunk from a hopeful administration, whose moral influence at least spread over a majority of the eighteen provinces, to a military regime, undefeated, with its back to the wall. What the enemies of the government lack in plan and cohesion they make up in sullenness, non-cooperation and in perennial emergence. As in 1923, China is like a partially inflated rubber ball; it can be squeezed in one place but the inevitable bulge appears elsewhere. Chiang Kai-shek conducts admirable military operations and less admirable political manipulations; T. V. Soong buys with abandon from a treasury which, even with his genius, only appears to be inexhaustible; and yet, after each operation, the leaders are faced with a problem which is larger still. Nanking pokes a big hole in the ball and it bulges somewhere else. If one questions the wisdom of the manipulators, what other method could they adopt? Perhaps the ball itself is at fault.

Today, in spite of numerous victories, the government maintains its existence only by means of national revenues which, in the final analysis, are made available through the security afforded by the International Settlement of Shanghai. Faced by a heterogeneous and purposeless ring of oppositionists, which may fairly accurately be called the rest of China, the National Government is based militarily, financially, and even morally, upon a foreign concession. Without the taxation to be derived from the wealth which shelters in Shanghai, what would Nanking be today? Gradually the government is being pressed a little more closely to its base.

It is cynically humorous to observe the Foreign Office, in conference, struggling to gnaw away the judicial system of Shanghai, a system which constitutes the very security of the base, while the government's military forces are fighting for, and the financial department buying, immunity of the base from incursions of other Chinese. Such inconsistency and lack of coordination among groups of Chinese, even in the same government, is not, however, unusual.

On December 2, just when it appeared that Chiang Kai-shek had arranged a peace by compromise in the North, permitting him to concentrate upon quelling the rebellion in Kwangtung and Kwangsi, troops of Shih Yu-san at Pukow, awaiting transportation to the South, revolted and created consternation in the capital itself. Looting Pukow and collecting all available railway equipment, these ex-Kuominchun troops withdrew up the Tientsin-Pukow railway and formed a rebellious center along the railway from Chuchow to Pengpu. Shih Yu-san was joined in opposition by the two other ex-Kuominchun commanders, Ma Hung-kwei at Hsuchow, and Han Fu-chu at Kaifeng.

On December 4, Tang Sheng-chih at Chengchow issued a circular telegram, allegedly signed by many others, denouncing Chiang Kai-shek and proclaiming support of Wang Ching-wei and Yen Hsi-shan.

The opposition movement appeared very formidable, but Chiang Kai-shek was not to be forced out by phantoms. Quickly assemblying troops from Hankow in defense of Nanking and recalling some of the troops already despatched to Canton, he took political stock and found that the open revolt appeared to be limited to two groups of small militarists. He applied the principle of concentration. His firmness of decision to defend Nanking regardless of Canton and Hankow, brought its immediate reward in discouraging further revolt by doubtful, minor leaders. The rebellious commanders failing to enlist immediate support, adopted a defensive attitude. It then appeared to Chiang Kai-shek, after important compromises with Yen, and further distribution of money, that he could still defend Hankow and pursue the campaign in Kwangtung as well. Preparations to destroy Tang Sheng-chih are now in progress, while negotiations with the other rebels are being pursued. However, renewed restiveness on the part of the Kuominchun puts a new aspect upon the magnitude of the revolt.

Canton, which was seriously menaced by the armies from Kwangsi and the Ironsides from December 9th to 12th, was saved by rather decisive victories of the Kwangtung forces. The crisis there has been removed for the present.

Wang Ching-wei's bid for the leadership of the party was supported effectively only in the South and by the half-hearted action of Tang Sheng-chih. Neither Yen Hsi-shan nor Feng Yu-hsiang seem to have given any moral or material support to Wang's cause. By December 12, the Standing Committee of the C.E.C. felt secure enough to dismiss from the Party the leader made famous by his intimacy with Sun Yat-sen. Chiang Kai-shek is struggling to maintain his position at the sacrifice of every principle of the Kuomintang. The Northern leaders are causing slow death to the Kuomintang, and Chiang Kai-shek is their involuntary executioner.

The evidences mount that Japan's Chinese policy gradually tends to stiffen. The causes need not be sought in a change in liberal Japanese thought, but in the complete failure of the Kuomintang program to create the central authority and the degree of internal stability upon which Japan's optimistic statesmen premised their patient, conciliatory policy. China has lacked the will and the ability to meet the new Japanese government half way. Nanking's harmless pretensions can can be viewed with less scorn by Tokyo than by most foreign capitals, but Japanese statesmen cannot afford to look calmly upon such pretensions of power as cause Japan financial loss, and China no corresponding gain. Mr. Saburi perhaps did not die at his own hands in vain. The nomination of dour Mr. Obata, of Twenty-one Demands fame, was not suggested by his sentimental and liberal qualifications.

Mukden, urged by arguments fitly symbolized by spiked helmets, proceeds humbly on the way to an agreement with Moscow. Russia's preliminary conditions have been moderate; the tone of her final terms of settlement will doubtless be an ennobling example to harsher imperialistic statesmen——but if Barga goes the way of Mongolia, it must be interpreted by the friends of Soviet Russia as the political expression of oppressed peoples rather than territorial aggrandizement of the benign U.S.S.R.

2. Revolts of Shih Yu-san and Tang Sheng-chih.

Both Shih Yu-san and Tang Sheng-chih were suspected of being anti-Chiang Kai-shek at the time of the last Kuominchun war. Had these commanders joined the Kuominchun then, the government troops would doubtless have been defeated. Why they waited to rise alone is difficult to explain. These piece-meal attacks on the government can be explained only by the general suspicion and rivalry existing among all Chinese leaders which make cooperation for any cause impossible.

On the night of December 2, a large part of Shih Yu-san's 24th Division, which had arrived at Pukow to embark for Canton, suddenly produced red arm bands, styled themselves "The First Army Under Heaven", proceeded to take over the railway terminal plant, and to loot and burn. It was not a mutiny but a revolt. After more or less systematic looting, they seized all the available rolling stock and the next morning withdrew northward up the railway. Nanking at that time was almost denuded of troops and it was feared that the capital would be attacked. There was great confusion since nobody then knew the extent of the revolt.

A brigade of Shih Yu-san's troops at Anking also revolted and withdrew toward Pengpu where the rebel commander established himself. In a circular telegram issued on December 4, Shih declared that he had demonstrated as protest against "further senseless internal strife". Ma Hung-kwei and Han Fu-chu, also ex-Kuominchun commanders, joined in his protest. The revolt quickly assumed a passive character. Shih's troops have settled in occupancy of the Tsin-Pu Railway zone from Wuyi northward to Pengpu. Ma Hung-kwei is at Hsuchow, and Han Fu-chu has spread westward along the Lung-Hai Railway to Chengchow. Practically no fighting has occurred on the Tsin-Pu and Chiang Kai-shek seems hopeful of settling with the rebels here by negotiation.

On December 4, Tang Sheng-chih, whose troops had remained in the Chengchow area, issued an anti-Chiang circular telegram allegedly signed by an imposing array of subordinate commanders. The impression was given out that these were all Reorganizationists and members of "The Army for the Salvation of the Nation and the Protection of the Party". Tang appealed for the replacement of Chiang Kai-shek by Wang Ching-wei and Yen Hsi-shan. Whether Tang was authorized by Wang Ching-wei to declare for the Reorganizationists is not known, but it seem was made to appear that many of the names of the signatories were used without their authority. It is further believed that Yen Hsi-shan, while secretly encouraging the revolt, resented Tang's coupling his name with the Reorganizationists.

It was at first thought that Tang would move at once on Hankow, in conjunction with the Kuominchun. The government was rapidly withdrawing loyal troops from Hankow to defend Nanking and seemed disposed to give up Hankow without a fight. However, after a few days Tang Sheng-chih seemed confused. Nobody seemed inclined to join him. None of the floating, minor commanders of the North seemed interested in Wang Ching-wei and his Reorganizationists.

The first fortnight in December was a bad time for Nanking. However, Chiang Kai-shek never weakened in his announced intention to defend his position. At first it appeared that he would give up Hankow and leave Canton to shift for itself. He began rushing troops to Nanking from Hankow and Shanghai, and cancelled the movement of his loyal troops toward Kwangtung. By December 8, 50,000 troops were in the Nanking area, and a bridge-head was established at Pukow. Many of the foreign women and children were evacuated from Nanking. Communist

pestors appeared there, but Chiang forbade the departure of Chinese officials. Canton at this time was being seriously threatened. Chinese civilians were leaving Nanking in great numbers, and important records were sent to Shanghai. Shanghai itself was greatly excited. Its garrison was weakened, and there were dangers of communist uprisings. The Shanghai-Nanking Railway was frequently interrupted by half-bandit troops which had constantly to be driven off.

During this time Chiang Kai-shek found time to survey the extent of the revolt. He renewed active political bargaining among the smaller commanders, he promised nobody knows what, and distributed ready money. A big deal is reported to have been consummated in Taiyuanfu designed to alienate Yen Hsi-shan and the Kuominchun definitely from the Reorganizationists. This opportunism was costly and knocked Kuomintang principles into a cocked hat. By December 10, Chiang announced not only that Wuhan would be defended, but ordered that Tang Sheng-chih should be destroyed. The rebels on the Tsin-Pu seemed disposed to talk reason. The news from Canton was highly favorable to the government. On December 12, Wang Ching-wei was dismissed from the Party. Again the members of the Nanking Government could breathe freely, and confidence was restored after their worst fright.

The government again had been saved by Chiang Kai-shek. The left wing opposition within the Party had received military and political defeats. However, the full significance of the revolts was not evident. The invisible hand of Yen Hsi-shan has probably not been idle, and certainly the Kuominchun, under the active guidance of Lu Chung-lin, is again bestirring itself.

3. Position of Yen and Feng.

The attitude of Yen and Feng toward the recent leaders of the revolt is speculative and the subject of very contrary reports. Their attitude toward the general Reorganizationist movement likewise is not clear. At the present moment it superficially appears that Yen has adopted a completely neutral position and restricts his activities to the autonomous control of the areas north of the Yellow River, while the Kuominchun indicates its intention to support the latest revolt.

One story which seems to explain Yen's recent maneuvers is that Chiang Kai-shek, in the dark days of early December, made huge compromises with the demands of Yen Hsi-shan in return for the latter's neutrality and his agreement to withhold his threatened demand for a People's Conference. The report states that Yen was given twelve and one-half million dollars for himself, Feng and the Kuominchun, and a free hand, nominally under Nanking, to control the areas north of the Yellow River. Presumably, Yen assumed the obligation of preventing the Kuominchun from supporting Shih Yu-san and Tang Sheng-chih. Yen's complete silence, his aggressive reassertion of administrative rights in the Peiping area, and his movement of troops to the Yellow River tend to confirm some such agreement.

However, Yen's ability or will to influence the action of the Kuominchun is brought into question by fairly reliable reports, just at hand, indicating that Lu Chung-lin is now at the head of the reorganized Kuominchun, and that the Kuominchun is again on the move as the "Northwestern Army for the Protection of the Kuomintang and the Salvation of the Country". Mienchih on the Lung-Hai Railway is said to have been reoccupied, and the government troops in the Loyang area are now sandwiched between the advancing Kuominchun and Tang Sheng-chih's force at

Chengchow. Tang is reported to be moving southward from Chengchow to permit the Kuominchun to join hands with Han Fu-chu along the Lung-Hai Railway. It is now evident that the government is not faced with sporadic, isolated revolts of Shih Yu-san and Tang Sheng-chih. The crystallization of forces against Chiang promises to be more formidable than any he has yet faced.

My Chinese contacts in whom I have great confidence believe that Yen Hsi-shan is the organizing spirit back of the present revolt and that an announcement is soon to be expected from Yen and Chang Hsueh-liang advocating a peaceful solution of the crisis. This mild suggestion, however, will be a reminder to Chiang Kai-shek that the Northern leaders are in agreement that the time has come for him to admit failure and depart.

4. Canton Menaced and Saved.

Whereas there is doubt that the Kwangtung defenders of Canton gave the coalition of Kwangsi armies and Ironsides a hard knock and relieved the threat to Canton, experience with official reports causes one to question the degree of damage inflicted upon the enemy forces, as described in government communiques. There is no reason to assume that Canton will long remain immune from attack by reorganized opposition forces.

Some prominence was given to reports that German officers sent from Nanking organized extensive defense works at Canton. The moral effect of this foreign "superiority" was certainly played up. Sufficient details are not known to conclude that any unusual military methods were employed in the operations about Canton. However, it is true that the combined Kwangsi forces and Ironsides avoided the western and northwestern approaches to the city and attempted a wide turning movement from the north and northeast, presumably to avoid the organized ground.

During the first week of December the attackers were engaged in shifting their forces into position to advance from the north. The attack developed in force on December 8, in the region of Sunkai, and the defenders rushed reinforcements to the threatened area. For several days the fighting seems to have been severe in flanking operations which were attempted by the rebels but successfully met by the defense. On the 12th there was fighting as close as White Cloud Mountain. But this proved to be their high water mark. The rebels were defeated and forced back to Huahsien and Chunghua.

This started a general withdrawal of the rebels which apparently continues. A secondary engagement took place on the Samshui-Lupao front on the 13th which also resulted in a victory for the defenders. The Kwangsi forces are retiring up the West River, while Chang Fa-kwei's Ironsides, badly shattered, are moving off to the northwest. The crisis to Canton is again removed. General Ho Ying-chin, who represented Chiang Kai-shek, left for Nanking on December 16.

5. Sino-Russian Dispute on Way to Settlement.

The Chinese delegate designated to discuss preliminary conditions to negotiations, Tsai Yun-sheng, met the Russian delegate, Mr. Simonavsky, at Nikolsk-Ussurisk. There on December 3, a protocol was signed in which, briefly, both sides agreed to revert to the terms of the Peking and Mukden Agreements of 1924. The Chinese delegate agreed to the replacement of Lu Yung-huan, the offending President of the

Board of Directors of the C.E.R., while the Soviet agreed to replace Messrs. Emshanoff and Hismont, reserving the right, however, of appointing these two men to other positions on the railway. This question regarding personnel, contested by Mukden, was condition 2 in Mr. Litvinoff's telegraphic conditions of November 27 (see last Comments).

Tsai Yun-sheng was back in Mukden on the evening of December 4. Following a hasty conference, a telegram was sent by the Mukden authorities accepting the terms of the protocol, except as to the right of appointment to other positions on the railway of the old Manager or Assistant Manager. On the 5th, however, Chang Hsueh-liang was prevailed upon to acquiesce in this demand, and on that date the Chinese sent a telegram accepting the terms stated in Litvinoff's telegram of November 27.

The way was thus cleared for negotiations, and Messrs. Tsai Yun-sheng and Li Shao-keng left Mukden on December 8, presumably for the purpose of arranging for carrying out the details of Mr. Litvinoff's conditions 1 and 3, as a preliminary to formal negotiations for a settlement of the whole dispute. The Chinese delegates crossed the frontier at Suifenho on December 12, and proceeded to Harbarovsk. Lu Yung-huan was relieved of his office and Kuo Fu-mei appointed acting president by a Mukden mandate of about December 7.

In the negotiations thus far conducted, Nanking has played no practical part. Mukden officials seem to have kept up the pretense of harmony with Nanking solely for its effect vis-a-vis Moscow. Mr. C. T. Wang has pretended that the Waichiaopu has directed Mukden's actions. His specific denials of circumstances and faits accompli have proved either his lack of knowledge of the agreements reached, or his deliberate efforts to deceive the public into believing that Mukden authorities were obedient to his wishes. The concurrence in faits accompli by belated mandates in Nanking constitutes a pathetic effort at face-saving by a government which exerts no actual authority in Manchuria.

Meanwhile, little is known of what is taking place west of the Hinghan Mountains. The suspicion grows that Moscow is permitting, if not directing, a Mongol movement designed to alienate that area (Barga) from China. Press despatches from Tokyo indicate that the Japanese Foreign Office is not unconcerned over this possibility. Moscow's denials of furtherance of such a movement would be worthless, should an autonomous Mongol government eventuate at Hailar.

Consular reports from Harbin indicate that Chinese control has disappeared west of Yakeshi, at which station are believed to be the most advanced Chinese military units. It is reported that a Soviet armored train has appeared as far east as Charomte, while Red Mongol detachments operate near Hailar. In Harbin, it is assumed that the G.P.U. and Red Mongols patrol all the area west of Yakeshi.

6. Miscellaneous Notes.

The conference for the readjustment of the judicial system of the International Settlement of Shanghai opened at Nanking on December 9, between the Chinese delegates and representatives of the United States, Great Britain, France, Norway, The Netherlands and Brazil. China refused to admit a Japanese delegate in view of the alleged expiration of Japan's commercial treaty. Japan, however, reserves her rights respecting any agreements reached at the conference.

The Chinese Government has thus far failed to reply relative to the nomination by Japan of Mr. Obata as Japanese Minister. Considerable popular objection has been voiced over the acceptance of Mr. Obata who, as Charge d'Affaires in Peking in 1915, presented the famous "Twenty-One Demands". In his later service as Minister, Mr. Obata was known as one of the severe types, representative of Japan's former Chinese policy.

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COMMENTS ON CURRENT EVENTS

January 1—13, 1930.

RECEIVED G/2 W.D. FEB 13 1930

1. General.
2. The Soviet Settles Down on the C. E. R.
3. Yen Goes to Honan.
4. General Military Outlook.
5. Authority of Nanking.
6. Miscellaneous Notes.

1. General.

In Manchuria the withdrawal of the Chinese troops is in progress. Through railway traffic is open on the eastern line and on the western line as far as Hailar. The military phase of the dispute seems closed, but friction develops in Harbin as the administrative features of the Harbarovsk Protocol are being implemented. With the subsidence of the Soviet military menace, Nanking waxes bold and threatens to disregard the agreement whereby Mukden warded off further punishment.

The snarl of military units in Honan has not been disentangled. Tang Sheng-chih, as an individual, seems about to disappear as a factor, which means little except that his divisions will go to augment the strength, and responsibility, of one or more of the three major leaders. Yen Hsi-shan went to Chengchow ostensibly to conduct the campaign against Tang Sheng-chih but in reality, it is believed, to take stock of the various gray commanders with a view to formulating decisions as to his future course of action. The "unproductive triangle" of Chiang Kai-shek, Yen Hsi-shan and the Kuominchun, mentioned in the last Comments, has disclosed nothing to indicate future developments in a situation which promises only futile internal strife.

There has been a slight advance of government troops from the vicinity of Chumatien on the Kin-Han Railway to Yencheng into the area formerly held by Tang Sheng-chih's troops. Some of the latter have been disarmed. There have also been minor shiftings of gray divisions, but the relative positions of the troops of the three big leaders is unchanged. Shih Yu-san, despite humorous claims of Nanking that he was repentant, sits threateningly astride the Tsin-Pu Railway, on which through service is still interrupted. He, with Ma Hung-kwei and Han Fu-chu, constitute a formidable clique in a strategic area, the doubtful allegiance of which constitutes an important variable factor. Chen Tiao-yuan busily organizes Shantung in the name of the government and prepares against threats from all directions.

Nanking negotiates with the British and plans future activities in the only operations where acheivements can be boasted, namely, gnawing at the foundations of foreign privilege and security. With its technical position fortified by the formal cancellation of the rights of extraterritoriality, the Party proceeds with the organization of demonstrations which are to be interpreted abroad by the government as the irresistible pressure of public opinion. This will in turn furnish the argument——effective with foreign offices in the past——by which foreign "rights" may be talked away with an unexpected suddenness.

Chiang Kai-shek augments his fighting machine in men and munitions in preparation for the test of strength with the North, divided if possible but united if necessary. The burden on the government for materials of war is greatly increased by the recent drop in the value of silver.

The Kwangtung armies continue their advance into Kwangsi. Official reports state that no compromise will be permitted and that the rebel forces will be exterminated by force of arms. Both in the North and South, Reorganisationists, in-so-far as they are left wing adherents, have received a decisive blow. Reaction is in the air. Whether in the government or among its opponents, the general tendencies toward relapse to the futilities of the old regime are observable.

It is believed that the danger to foreigners in the future will be from further disintegration of authority rather than from the exercise of authority by a strong but unsympathetic central government. Already the government has created trouble for the future with its extraterritorial policy by setting up forces which it may not be able to control. The coming year promises to develop feeling and friction between Chinese and foreigners which will seriously strain the sympathy existing for China.

2. <u>The Soviet Settles Down on the C.E.R.</u>

By the end of the year the Russian prisoners in Harbin had been released. Messrs. Rudyi and Denisov, general manager and assistant general manager respectively, had been installed, and numerous Russians had resumed their positions on the C.E.R. On January 2, Mr. Simanovsky, the new consul general, took over the consulate-general from the German official who had been in charge of Soviet interests. Not only were the detained Russians released but prisoners sentenced for political crimes and sabotage as well. The processes of law by which they had been sentenced were perhaps no more regular than those by which they were released. Chang Hsueh-liang ordered that they be released. Courts in China are powerless before the local strong man.

The dismissal of White Russians was demanded by the new general manager and Reds, including those who had been dismissed since July 10, allegedly for propaganda activities and sabotage, were reinstated. Back pay was demanded for them. At a meeting of the board of directors on January 10, according to press reports, Mr. Rudyi suggested the dismissal of all Chinese employees added to the rolls since July 10. This was hotly contested by a Chinese director, whereupon the Russian general manager and the Chinese director came to blows. The meeting ended in excitement with no business accomplished.

This incident is perhaps more indicative of the feeling between Chinese and Russians than was the spirit shown during the first events following the return of the Russians. Very meticulously the Soviet officials paid calls in Mukden and Kirin. At the New Year receptions they showed great consideration for the Chinese officials, in marked contrast with the deliberate rudeness of the Chinese last year.

The foreign inhabitants of Harbin, including White Russians, were greatly relieved upon the return of the Soviet officials because of the fear of Chinese soldiery which had quite justifiably obsessed them.

Orders were issued for the return of the Chinese reinforcements from Pengtien and Kirin, to commence January 1. Within a week the movement was in progress. On the 11th traffic was resumed to Suifenho and on the 9th to Hailar. On the latter date the Chinese commissioner of foreign affairs returned to Hailar, from which city the Young Mongols had withdrawn. The situation in Barga generally is still obscure.

It now appears that some secret details, not mentioned in the Protocol, were agreed to at Harbarovsk. An unconfirmed report mentions that the Russians are preparing to place a guard of 150 soldiers for the protection of the consulate general in Harbin. On January 10, Mr. C. T. Wang declared to pressmen in Nanking that from communications just received regarding the Sino-Soviet preliminary conference at Harbarovsk, the members of the government were surprised to find that the delegates had discussed numerous issues in addition to those relating to the C.E.R. controversy. This is inconsistent with his previous assertions of familiarity with all negotiations in progress. Official reports from Nanking indicate that the government is preparing to disavow the agreement. By mutual consent, or otherwise, the conference at Moscow scheduled for January 25, is generally reported to have been postponed. Thus, as the immediate menace of Soviet troops fades, China begins at once with her distinctive diplomacy.

To the Chinese all treaties and agreements are unequal, depending, as they do for existence, upon pressure exerted by or against China. Consequently the degree to which the Chinese feel impelled to adhere to the terms of any compact varies directly with the continuing pressure which can be brought to bear by the other signatory.

It is this principle of diplomacy, which admits no contractual fixation, that precipitated the crisis of July 10, and which, regardless of agreements that may be signed, will perpetuate friction in the zone of the Chinese Eastern Railway.

3. <u>Yen Goes to Honan</u>.

Following a conference of his important subordinates in Taiyuanfu, Yen Hsi-shan proceeded to "the front" at Chengchow. He arrived there January 3, accompanied by his most confidential advisers, and shadowed by Chiang Kai-shek's ubiquitous Ho Chen-chun. There commenced a series of meetings which still continue. Gray commanders or their representatives flocked to Chengchow for conference. The best explanation available of Yen's maneuvers is that he is investigating the possibilities of satisfying all the heterogeneous commanders with money and an area in which to subsist. This requires that Chiang Kai-shek furnish funds, and concede provinces (Honan, Shantung and, most unlikely, Hupeh) to take care of these troops. Yen assumes responsibility for keeping them peaceful and, incidentally, hopes to consolidate them as a protection against future attacks by Nanking.

Some observers believe that an early operation against Yen is now in preparation by Chiang Kai-shek, and that both Chiang and Yen are furiously bargaining for the active support or the neutrality of the Kuominchun and the Mukden armies, as well as the numerous smaller militarists.

Yen has not attacked Tang Sheng-chih's divisions. On the contrary, he has negotiated with them, probably with a view to enlisting their support. The government forces during the first week in January did however advance to the Yencheng area. In the fighting, or turn-over, men and material were captured. Tang himself is reported to have left his troops in disguise on January 6, and turned over command to Liu Hsing. His units moved eastward to the area of Chowkiakow. The whole situation is obscured in a haze of typical Chinese bargaining and intrigue.

Rumors current in Peiping to the effect that some Shansi troops had revolted at Sinsiang and cut Yen off at Chengchow are now believed to be government propaganda. Another plausible explanation is that the rumors were originated by a group of local financiers who are dealing in Disbandment Loan bonds being marketed by Yen.

4. General Military Outlook.

Very little is known of the attitude of the Kuominchun, or of the ex-Kuominchun units which hold the eastern Lung-Hai and Tsin-Pu Railways. Feng is Yen's prisoner, but it is generally believed Lu Chung-lin, in active command of the Kuominchun, is free to operate for or against Yen. The Kuominchun has remained quiescent, both at Loyang and in the Han River Valley. It should not be surprising to find the Kuominchun strangely aligned with the government in the next fighting. Chiang Kai-shek is actively trying to enlist its support against Yen Hsi-shan.

In Shantung, Chen Tiao-yuan is receiving quantities of munitions from Nanking and is otherwise actively preparing for the next phase. His dispositions indicate that he fears the incursion of Shih Yu-san and his allies from the south. Chen is effecting bandit suppression and augmenting his strength by the time-honored practice of incorporating bandits into his army.

The utterly repentant Shih Yu-san, who "humbly awaits the dispensation of Chiang Kai-shek", remains, nevertheless, astride the Tsin-Pu Railway southward of Pengpu, cutting Nanking's communications with the North, and generally keeping the government ill at ease.

Judging from past history, the present military activity and the animous of the leaders leave one in no doubt that fighting cannot long be deferred. At this time the combinations which may crystallize out of the fusion in Honan cannot be foreseen. Yen Hsi-shan has become the real obstacle in Chiang Kai-shek's path. Any maneuver of the latter will be directed immediately or ultimately against Yen Hsi-shan. Lu Chung-lin and Chiang Hsueh-liang are in position to exact huge prices for their participation in China's spring tragedy.

5. Authority of Nanking.

Nanking Foreign Office may keep up the pretense of serenity [redacted] European countries and America, but Russia and Japan necessarily are taking into account the situation previously described in their more intimate relations with China. The unwholesome details which constantly bombard one in China to prove the generally unsound, unstable and miserable internal conditions of the country are not overlooked by Russia, and particularly by Japan. The ever-critical situations which face the government make the ponderous voice of Mr. C. T. Wang sound hollow and wavering to Moscow and Tokyo.

The Mukden government is less dependent upon Nanking for its continued existence than is the personnel in power at Nanking upon the attitude of Mukden's militarists. Any pressure of Nanking in connection with Sino-Russian affairs distasteful to Mukden can be immediately relieved by the intimation that support may be accorded Yen Hsi-shan.

Likewise Japan avails herself of the fact that Nanking is sensitive to strong suggestion from Chang Hsueh-liang. Recently, according to an agent of Yen Hsi-shan, Chang Hsueh-liang requested Yen to urge Nanking to adopt a reasonable attitude toward the acceptance of Obata as Minister. The Japanese were pressing in Mukden to influence a decision in Nanking.

Nanking is extremely vulnerable today. In innumerable ways the limitation of its authority becomes evident. Even in matters in which all Chinese agree in principle, no complete co-ordination or co-operation can be exacted of regional authorities. Therein lies the danger of placing any dependence upon agreements with Nanking which are based upon the assumption that the government, however willing, is capable of carrying out its pledge. This danger was quite well understood a few years ago, but the present government has created the illusion that it is uniquely powerful.

This government, for example, has spread the belief among its own people that extraterritorial rights are immediately disappearing; it is not capable of controlling the manifestations certain to arise from this erroneous conception. The fact that the government is so deplorably lacking in authority is what makes relinquishment of our moral position regarding extraterritoriality so dangerous. Concern about the completeness or perfection of codes seems wholly aside from the point in a country where the government does not govern, and where strong men (local and national) habitually over-ride judicial processes.

6. Miscellaneous Notes.

Sir Miles Lampson arrived in Nanking on January 8, to conduct negotiations on outstanding Sino-British questions, the most vital of which is the preparation of an agreement to fix the status of British subjects, and afford security to vested interests, for the trying period during which extraterritorial rights are gradually to be relinquished.

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Fukien geographically is out of the current of important developments in China. Except for endemic bandit activities, communist raids in the South, and the occasional seizure of missionaries, Fukien currently is mentioned only as a highly taxed province which suffers chronically from the strife of provincial factions. It is not sufficiently strategic or lucrative for the National Government to devote time for its clean-up.

On January 6, subordinates of Lu Hsing-pang, a near-bandit division commander who controls the upper reaches of the Min River, raided a dinner party in Foochow, seized about six members of the provincial committee and carried them inland. Admiral Yang Shu-chuang, Minister of the Chinese Navy and Chairman of the Provincial Committee, escaped to a warship. Several ships hastened to the rescue of Admiral Yang who, aside from his other honors, heads the navy clique of Fukien. The significance of the coup d'etat is not yet known.

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The Kuomintang Chapter in Canton opened the 1930 campaign by organising propaganda and voting resolutions urging the government to abolish extraterritoriality at once. A parade composed of all the "trick" unions, students, boy scouts, etc., passed Shameen without incident. Similar demonstrations will doubtless be repeated monotonously by the Tang in all Chinese cities. The pitch of anti-foreign feeling aroused will depend largely upon the program arranged by the Party Central. The innocent victims of this artificially stimulated hatred will be reported in due course from isolated missionary stations. The government will deplore the unfortunate incidents——pay indemnities——and commercialize the propaganda value of the incidents as expressions of uncontrollable Chinese detestation of remaining foreign privilege.

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COMMENTS ON CURRENT EVENTS

December 16—31, 1929.

1. General.
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3. Three Men of China.
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5. Extraterriteriality Abolished.
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1. General.

On December 28, China by mandate declared extraterritoriality abolished. On December 30, a declaration of the Foreign Office intimated that the mandate should not be taken too seriously in foreign offices, since China was still willing to negotiate as to the application of the mandate.

The situation in Manchuria is gradually clearing as the terms of the protocol signed at Ha rbarovsk on December 22nd are being put into effect. Russian troops have withdrawn, Russian officials have taken office in the C. E. R., prisoners have been released, and the date and venue of the conference for settling all outstanding problems has been set at January 25, at Moscow. It is only the political status of Barga, where the Red Mongols have formed a government, which remains an immediately critical question.

The situation in China proper retains all the tensions previously existing, but has been militarily quiescent due in some measure, it is suspected, to the peculiarly Chinese trait of suppressing internal quarrels for a limited time while diplomatic activities directed against the outside world are in progress. Much of the harmonious expression among militarists of late is believed to be a part of the atmosphere created to disarm the foreign critics of unilateral abolition of extraterriteriality.

Honan has been the focal point of the military forces of Chiang Kai-shek, Yen Hsi-shan and the Kuominchun (now actively led by Lu Chung-lin). Chiang Kai-shek has designated Yen Hsi-shan in control of all "government" forces north of the Yangtze, including the erstwhile rebels, and the large troop concentration is allegedly for the suppression of Tang Sheng-chih, who has the momentary distinction of being the only declared rebel in the North. Actually the Kuominchun supports Tang Sheng-chih, and the present military concentration is believed to be directed at the ever-menacing army of Feng Yu-hsiang. High politics are being played by Chiang, Yen and Feng in which the crux of the matter seems to be efforts on the part of Chiang to split the North.

Yen Hsi-shan broke his long silence by issuing a circular telegram on December 20, which is as cryptic as its author. Except for its denunciation of the Reorganizationists, it can be interpreted as meaning anything. It has come to be referred to as a "peace declaration". However, it seems reasonably clear that Yen has maneuvered Chiang Kai-shek into conceding virtual autonomy to North China, under Yen's control, in return for his declaration of a peaceful attitude toward Nanking. This

constitutes a complete reversal of Chiang's policy initiated when he attacked the Kwangsi faction, and is an admission of his temporary weakness.

If Nanking should revert to a conciliatory attitude toward regional autonomies, China might enjoy a period of peace, but Chiang Kai-shek is not genuinely altering his policy. He bides his time for a decision with Yen, the most troublesome of all his rivals.

Kwangtung is now entirely free of the Ironsides and Kwangsi troops. On December 19, Wuchow was re-occupied by the Cantonese and Chang Fa-kwei was retreating on Kweilin. The Cantonese are enjoying a unique confidence in the knowledge that the Kwangsi invaders are not invincible, but it is doubtful if the rebels can successfully be pursued in their own province.

2. <u>The Forces Gather in Honan</u>.

The threatening rebellions of Shih Yu-san and Tang Sheng-chih were not to be handled by Chiang Kai-shek by military repression. They represented more than appeared on the surface, and constituted perhaps the final northern argument which forced Chiang to divide his powers with a recognized northern leader. By the middle of December, Yen Hsi-shan had decided to accept his responsibilities as well as his honors and began moving his troops toward Chengchow and southern Shansi. On December 19, the troops north of the Yangtze were placed under Yen's command by Chiang Kai-shek. Gradually various of the commanders who had been anti-Chiang Kai-shek declared in favor of Yen's "peace proposals" and expressed willingness to follow him in attacking the Reorganizationists---represented openly by Tang Sheng-chih alone.

Government troops advanced slowly up the Kin-Han Railway and at the end of the month were at Yencheng. Three of Yen's divisions moved to the Chengchow area together with some of Han Fu-chu's troops. Five more Shansi divisions are moving toward Honan. The Kuominchun unostentatiously moved eastward on the Lung-Hai Railway and occupied Loyang without fighting on December 24. Sandwiched between the government forces on the Kin-Han, Tang Sheng-chih has been squeezed into the area Hsuchang-Chumatien, and is reported to be moving off to the westward of the railway. Scattered in the recent battle area are numerous smaller commanders of various allegiances. The congestion of troops in central Honan is very confusing. About forty divisions are concentrated there and the course of the coming action is still undefined.

Shih Yu-san on the Tsin-Pu Railway has ceased to be a rebel in that he now claims to submit himself to the government via Yen Hsi-shan. It is notable, however, that he has retained the rolling stock seized at Pukow and has not permitted through traffic on the Tsin-Pu Railway.

3. <u>Three Men of China</u>.

Any three men of China, A, B and C, foremost in a similar pursuit, will never co-operate to the advantage of each other. A and B will conspire to eliminate C. A and C will negotiate to ruin B, while B and C will be found to whisper possibilities of undermining A. If three persons mathematically permitted other combinations, such combinations would be formed. The subordinates of A, B and C, throughout all grades, likewise will form cliques for the furtherance of mutual

advantage, but within each clique will be formed the non-cooperative triangle, mentioned above, in which exists the struggle for predominance.

No comparable situation will be found in America——unless it be among the leaders of underworld gangs in our most lawless cities. Except possibly among gun-men and hi-jackers, there is an ethical code, an acceptance of a normal heirarchy of authority, an intelligent sense of benefit to be derived from mutual cooperation, or an insistence upon progress which prevents the formation of such non-productive combinations. In China, traditionally, the existence of three prominent contenders for personal predominance has hindered the march of progress.

Today, Chiang Kai-shek, Yen Hsi-shan and Feng Yu-hsiang are making China stand still while their combinations with and against each other are being formed and re-formed. One may be stronger than the other momentarily, each may have his peculiar virtues, but it is vain to assign qualities to any of them such as might be expected greatly to benefit China. No Chinese in confidence will assert that any of them will sacrifice his own advantage for the welfare of his country. Each in the past has proved his unworthiness to exact the confidence of the others. Neglecting innumerable details and certain slow-moving fundamental influences, these three men today are creating the situation in China with which foreign governments have to reckon.

In order to face the facts, one must abandon all illusions regarding the government of China as disassociated with Chiang Kai-shek. The government, in theory the executive organ of the Kuomintang, is in fact the administrative organ of Chiang Kai-shek's military regime. He has saved it upon several occasions and it is his. On December 7 and 8, the government was prepared to flee to the International Concession of Shanghai; Chiang Kai-shek ordered, and with soldiers assured, that his administrative underlings should remain in Nanking. The rebels did not occupy the capital for the reason that they did not appreciate the weakness of the government and because there was no one prepared to assume the responsibilities of control. Had Chiang Kai-shek acceded to Shih Yu-san's request to inspect the latter's troops on December 2, prior to their supposed embarkation, Chiang would probably have been taken prisoner, and the Kuomintang Government would have fled. In China one is ultimately concerned with personalities rather than governments and parties. Too much confusion has already been occasioned observers by the undue importance attached to the Kuomintang. It is only Chiang Kai-shek himself who asserts that he is any longer obedient to the will of the Party.

The tangle of miscellaneous troops in Honan has been described. It is not possible to draw any sound deductions from the distribution of troops, nor from their affiliations, were they known. Flags representing divisions on a situation map appear as if drawn by a magnet toward central Honan. These flags represent the personal divisions of the three big leaders as well as various categories of "gray" troops. Except for the clearly specious explanation by Chiang Kai-shek and Yen Hsi-shan that the crushing of Tang Sheng-chih's pathetically feeble force of four divisions necessitates all this concentration, no reasons are advanced for the war-like preparations.

Agents are dashing back and forth among the three leaders in the most incomprehensible way. It is clear that big negotiations are in progress. From the latest rumors, and they are rumors only, Chiang Kai-shek is trying to play Yen's own game and is intriguing to set Yen

and Feng at each other's throats. His method has been to shower authority and responsibility, both as to territory and military command, upon Yen until he forced the latter into friction with the Kuominchun. Chiang now is rumored to be throwing out offers of compromise to the Kuominchun to encourage their break with Yen. Yen's recent devious politics have probably incurred the hatred of both Chiang and Feng. Chiang probably would relish the destruction of Yen even more than the hated Feng.

On the other hand there are evidences that Yen has forced from Chiang Kai-shek practical control of the North and is now as interested in suppressing "anti-government" forces as is Chiang himself. This would lead one to suspect that Yen's and Chiang's concentrations in Honan are destined to crush Tang Sheng-chih and the Kuominchun. In this case, each leader would maneuver to cause the other to bear the brunt of the Kuominchun's strength.

The remaining possible combination is the old one in which the Kuominchun and Yen may yet conspire together for the downfall of Chiang Kai-shek.

What will emerge from the situation in Honan nobody can foresee. There may be an immediate war, or an unstable period of compromise in preparation for a future war. If it be an early war, any one of the three combinations mentioned above, with variations permitted by shifting of gray troops, may eventuate. One can only be assured that there is no permanent peace in sight. Chiang Kai-shek, meanwhile, is employing all of his political art and material resources to prevent unity of action among the leaders in the north. If such unity could be effected, Chiang Kai-shek would have to go---and what is left of the Kuomintang with him.

4. <u>Sino-Russian Preliminary Settlement</u>.

For the text of the protocol effecting a preliminary settlement of the Chinese Eastern Railway controversy, see Report No. 7640.

The protocol was signed at Harbarovsk on December 22, by Mr. Simanovsky and Tsai Yun-sheng, representing the U.S.S.R. and China respectively. Briefly, it provides for a practical reversion to the status quo ante July 10, 1929, with respect to the joint management of the railway; and re-establishes the political position of Russia prior to the search of the Soviet Consulate at Harbin on May 27. The release of all political prisoners, resulting from the dispute, was provided for. Troops are to be withdrawn. A conference to settle all outstanding differences is set for January 25, 1930, at Moscow.

Except for the minor point regarding the appointment of a new general manager and assistant, Russia obtained everything she demanded.

The situation in Barga is very obscure but it is fairly well established that the territory is now controlled by Mongols under Russian officers. At Hailar a government, consisting of a committee of seven members, has been inaugurated by the Young Mongol Party which unquestionably is under the sway of Moscow.

All Soviet troops are reported to have evacuated Barga on December 23.

5. Extraterritoriality Abolished.

China has declared the abolition of extraterritoriality as of January 1, 1930. Despite the fact that Mr. C. T. Wang frequently intimated the plan of action which has been adopted, foreign governments failed to draw a clear-cut line between unilateral abrogation and a liberal policy of gradual relinquishment, and to state categorically that the former would not be countenanced. China has been permitted to insert her wedge of unilateral abrogation and the speed of splitting up the safeguards of extraterritoriality will be governed by this wedge rather than that of gradual relinquishment. There should be no illusion about China's intention to push her advantage.

The British aide memoire of December 20th disclosed that it was the British Government which permitted itself to be the immediate agency of inspiring the Chinese Government with sufficient boldness to declare the drastic principle of abrogation. Only an obstinately liberal government in London or local British diplomatic representatives baited with flattery, cajolery and deceptive promises of favored treatment by smooth-tongued Chinese statesmen could have committed the error of inserting the following clause in the aide memoire:

> ".... His Majesty's Government are therefore willing to agree that January 1st, 1930, should be treated as the date from which the process of gradual abolition of extraterritoriality should be regarded as having commenced in principle and would have no objection to any declaration to conform with that attitude which the Chinese Government may think it desirable to issue....".

As might have been expected, the Chinese seized upon the date as suitable to their purposes and disregarded the modifying clauses. On the other hand, there are unmistakable signs in the British document that its author was beguiled into the belief that great material rewards awaited British trade and British influence if the weight of Downing Street's objection to the "principle" of abrogation could be removed by this curiously hair-splitting diction. It further appears that Great Brita in has thus far recorded no objections to China's action, but rather seems content with having extended to China the moral encouragement to take at least a decisive step beginning January 1, 1930. Whether or not the British Foreign Office assents to China's declaration of clear-cut unilateral abrogation is not known. The fact that its execution is deferred does not alter the principle of unilateral abrogation contained in the mandate:

> ".... For the purpose of restoring her inherent jurisdictional sovereignty, it is hereby decided and declared that on and after the first month of the nineteenth year of the Republic (January 1, 1930) all foreign nationals in the territory of China who are now enjoying extraterritorial privileges shall abide by the laws, ordinances and regulations duly promulgated by the central and local governments of China...."

The mandate abolishing extraterritoriality, dated December 28, was made known informally to the governments concerned but had not been officially transmitted by the 31st of December. (See Report No. 7638 for complete text.) On December 30, an official declaration of the Foreign Office was issued. This procedure was a typical Chinese method of cushioning the shock of a preceding decisive act (see Report No. 7638).

In this document, interpolated among explanatory and soothing generalities regarding extraterritoriality, are found the pertinent statements:

> "..... It is for this reason that the Chinese Government is compelled to declare that the year 1930 is the decisive time, and that the actual process of re-establishing Chinese sovereignty by the abolition of extraterritoriality begins on January 1st...."
>
> "..... The Chinese Government, relying on the sympathy already shown and the assurances given by the Powers concerned, believes that there is no difference of opinion between these Powers and China regarding the principle involved; and it is prepared to consider and discuss within a reasonable time any representations made with reference to the plan now under preparation in Nanking....".

Here the Chinese take great liberties with "the principle involved", which in this paragraph may refer to anything. The powers have of late consistently admitted their agreement in principle to the gradual abolition of extraterritoriality but at no time has a power retaining the rights agreed to their cancellation.

Having utterly disregarded the principle of bi-lateral obligations inherent in treaties, China now proceeds to offer to discuss representations made regarding rights after the rights themselves have technically, and illegally, been declared non-existent.

In effect, it is quite evident that extraterritorial rights will not cease to exist, except gradually, for those nations which have the power to exact compromises from China. However, if the powers admit the validity of China's unilateral action, the rights will disappear, if gradually, very much more quickly than the inviolability of persons and property can be reasonably assured. Chinese statesmen, furthermore, have taken liberties with an important principle held to by those powers retaining extraterritorial rights, probably having in mind to operate immediately against the rights of the smaller powers which for a time have enjoyed the provisional clauses in their treaties. China's diplomacy will be complicated by the questioning with which these smaller powers will accept this abolition in principle, but not in fact, for the larger powers. In all of the provisional clauses referred to, extraterritoriality does not cease until an "agreement" of relinquishment is conceded by a certain number of powers.

The attitude of the smaller powers is relatively unimportant, but now Japan, who has been silent and alone with her treaty declared cancelled, finds herself once more aligned in common cause with the United States, Britain and France. In fact, all those countries whose extraterritorial rights have hitherto not been completely abolished have now a more immediate and active interest in finding, if not a common solution, at least a constructive solution for a common cause.

Out of China's insistence upon the drastic abolition of extraterritoriality may come a more searching world inquiry into the facts in China. From this, it may be hoped, might come constructive steps for extending aid rather than responsibilities to China, by acting upon more vital factors in the situation than Chinese "face". From some such development may eventuate improvement in the welfare of the mass of Chinese people, and furtherance of world interests, at the expense of pride and distinction for a small class of Chinese politicians. Chinese leaders now have rope---if they do not hang themselves, one can be reasonably sure that they, and unfortunately foreign nationals, will become desperately entangled.

5. China as the Year Closes.

The position of China at the end of 1929 is difficult to appraise. It has been a year of numerous and large entries upon her political ledger of credits and debits. The conclusions at which one arrives as to China's actual progress, if progress there has been, depend entirely upon the values assigned by the individual observer to the varied entries. One can point to many national rights recovered; it is difficult to find any material internal improvement resulting from these diplomatic victories. Chinese international "face" has been enhanced; the livelihood of the people has never been in such a deplorable state. China attained tariff autonomy, thereby almost doubling her customs revenues. The increased revenues have gone abroad for munitions, and have supported an almost continuous state of civil war amongst erstwhile revolutionary comrads.

Provincially-minded national and local politicians precipitated an unnecessary crisis with Russia which, due to feudalistic internal politics, could not be alleviated by diplomacy. Russia made war, showing up a hopelessly antiquated, unmartial Chinese defense organization, and exacted reprisals which promise to return Russia's position in Manchuria to something comparable to its pre-revolution status.

The moral influence of Nanking has been sacrificed to the impatience of a small governing clique who from unworthy motives or incapacity would enlarge its authority beyond its capabilities of governing. The money and energy which should have been devoted to reconstruction has been dissipated in civil strife. Finally, the very fundamentals of the Kuomintang have been scuppered in order that the inner clique of the Party might continue at the head of a government of gradually diminishing powers.

Taking advantage of the idealism of the West, whose attitude has been influenced by utterly faulty premises regarding Chinese capacity for maintaining internal and international harmony, at the end of the year China felt emboldened to declare the abolition of extraterritoriality and thereby assumed responsibilities she has manifested no ability to shoulder. Adopting all the questionable devices of her small merchants in a bargaining bout, China clinched the extraterritoriality deal by unilateral action. At a time when the new spirit of the West was animated by the one desire to eliminate friction in international affairs, China, with her genius for marching out of step, deliberately destroyed the rhythm of diplomacy by adopting unilateral action, a method which her present powers do not warrant and which will effect an inescapable demonstration to the world of her medieval internal disorganization. This deliberate assumption of responsibilities for foreign life and property, with such incomplete control over the agencies dealing with these delicate matters, promises to create friction which may conceivably reach a climax at a time when western people react from the present idealism toward greater realism in dealing with those nations which cling to the determination to enjoy the luxury of a slumbrous philosophy while benefiting equally from the fruits of a scientific civilization.

The present indications are that China's handling of the extraterritoriality problem may create conditions permitting the same irresponsible actions which brought about the relatively minor crisis in Manchuria. The results of haphazard exercise of hypothetical powers by a government so lacking in authority as Nanking, in matters affecting

the interests and security of life of all foreigners in China, will be infinitely more far-reaching than the storm in Manchuria. The penalties for inability to handle responsibilities roughly seized may cause future Chinese history to read strangely similar to a sequence of events which present day sentimentalists declare was possible only in eras that have passed.

7. Foreign Program For 1932.

Kuo Min News Agency quotes the following statement of Mr. C. T. Wang as expressing his foreign policy for the coming year:

"For the New Year, the Ministry's task will be to concentrate on the abolition of foreign inland navigation rights in China, the withdrawal of foreign troops and the retrocession of foreign concessions and settlements in China. Not much difficulty is expected regarding the abolition of inland navigation rights since the Sino-Japanese Treaty has already expired and the Sino-British Treaty is to be revised on Great Britain's initiative. A draft of the proposed new Treaty has already been forwarded to the British Government for consideration.

"All these objectives, said Mr. Wang, must be achieved, for no Nation's sovereignty is complete without the power to control foreigners within its boundaries."

John Magruder
Major, General Staff,
Military Attache

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COMMENTS ON CURRENT EVENTS

January 14 - February 15, 1930.

1. General.
2. Military Situation.
3. Sino-Russian Affairs.
4. Manchuria Seeks New Military Policy.
5. The Atmosphere of the Capital.
6. Miscellaneous Notes.

RECEIVED G/2 W. D. MAR 3 1 1930

1. GENERAL.

The period covered by these Comments is not accentuated by any outstanding events. This is true in general of the time preceding, during and immediately following Chinese New Year (January 30). The official efforts of the government to abolish the observance of the lunar calendar made little difference in the celebration of this ancient Chinese festival——even in the capital itself. Beneath the surface calm, however, there were unmistakable signs that the rift between Chiang Kai-shek and the leaders of the northern opposition is widening.

Following the liquidation of Tang Sheng-chih's revolt in Honan, on January 15, the shifting of the concentration of government forces from southern Honan, via Hankow and Pukow, to the Tsin-Pu Railway was begun. By negotiation and slow pressure, the divisions of Chiang Kai-shek have pushed the rebellious Shih Yu-san from the Tsin-Pu Railway to the area near Kweiteh (Honan) and established contact with loyal troops in Shantung. Government troops and the rebellious troops of Shih Yu-san and Han Fu-chu now face each other menacingly on the Lung-Hai Railway west of Suchow. The government main forces are now concentrated in the Suchow-Pengpu area.

Meanwhile negotiations have been in progress which eventually will disclose whether Chiang Kai-shek will be permitted to isolate the ex-Kuominchun rebels and destroy them in detail or will precipitate a general war in which the issue will be joined between Nanking and the larger northern leaders. Serious military conferences have been held in Nanking and Taiyuanfu and manifestoes have been issued which create the general belief that war is inevitable between Chiang Kai-shek and Yen Hsi-shan, the latter supported by such of the heterogeneous northern commanders as he can muster to his side. With Yen Hsi-shan the ultimate objective of the government's military preparations, the Kuominchun assumes the role of third party, formerly held by Yen. Thus the attitude of the Kuominchun now becomes the decisive factor in the situation. United, Yen and the Kuominchun stand; working at odds they will fall successively.

The Kwangsi rebels and the Ironsides have again renewed their activity and toward the end of January were threatening Wuchow. They occupied an area in southern Kwangtung but seem unable to advance permanently beyond the line Kweilin-Kenchow. This situation in the Kwang provinces is far from settled and a serious involvement of government armies in the North would probably permit the establishment in the "Home of the Revolution" of some new autonomous, if not openly rebellious, regime.

Manchuria is so engrossed in her own problems that, for the present, neutrality is expected of her in the threatened war.

Nanking has publicly threatened to repudiate the Harbarovsk Protocol and has pilloried three minor officials as victims responsible for China's failure. All of this, however, was merely face-saving, since the Manchurian officials who have felt the violent chastisement of Russia are determined to incur no repetition of the lesson in arms out of regard for the sensibilities of Nanking officialdom. The Manchurian official, Mo Teh-hui, designated as China's delegate to the Moscow Conference, has convinced Nanking of the necessity of contenting itself with a mere denunciation of the Harbarovsk settlement and public quibbling over its terms rather than its cancellation.

An agreement, to be signed February 17, has been reached in the question of the Chinese court in the Shanghai International Settlement. The British Minister continues his negotiations at Nanking to arrive at a plan for the gradual relinquishment of extraterritoriality, for the rendition of Weihaiwei, and for the settlement of other questions.

The collection of customs duties on a hypothetical gold basis commenced on February 1. This method, which results in considerable increase in customs tariffs, was necessitated by the obligations to meet foreign indebtedness in gold with a greatly depreciated silver exchange.

At the end of January, the Tsin-Pu and Kin-Han railways resumed through traffic after several months interruption due to the Shih Yu-san and Tang Sheng-chih revolts. The service is greatly handicapped by the retention of equipment by the military.

2. <u>MILITARY SITUATION</u>.

The open revolt of Shih Yu-san and Tang Sheng-chih forced the government to split its reliable forces into two concentrations——one on the Tsin-Pu in immediate defense of Nanking, and the other in southern Honan. The unsupported, or sporadic, threat of Shih Yu-san was handled by negotiation (liberal disbursements) until sufficient strength could be developed to force him back into eastern Honan. Tang Sheng-chih, an isolated reorganizationist in the North, found himself entirely unsupported and his small force was liquidated with little fighting in central Honan. His armed units were reorganized under "loyal" officers, and the unequipped personnel was largely farmed out to other government divisions. Tang Sheng-chih again fled to an unknown destination, but China's rabble forces were not diminished. Sun Tien-ying, an ex-bandit commander, collected some of Tang's men and equipment and with some 30,000 bandit troops is moving toward Kweiteh to support Shih Yu-san.

The government divisions on the Kin-Han Railway began withdrawing on Hankow about January 15, the most dependable of which have gradually been shifted down river and thence up the Tsin-Pu Railway. The equivalent of about nine loyal divisions now occupy the railway to Suchow and have established a front against Shih Yu-san and allies in the vicinity of Tangshan, on the Lung-Hai Railway.

The areas of southern Honan and Hupeh have been left garrisoned by certain "gray" commanders backed by several government divisions, principally in the Hankow area. Hsu Yuan-chuan and Wang Ching-yu, both natives of Hupeh and ex-northern commanders, who did

most of the fighting against the Kuominchun last autumn, have withdrawn into Hupeh and can be considered only fair weather adherents of Chiang Kai-shek. If Chiang meets reverses his hold on Hankow will be tenuous.

Yen Hsi-shan Leaves Chengchow. Yen Hsi-shan, after spending several weeks in Chengchow negotiating with the various gray commanders, left there on January 15, and returned to Taiyuanfu. It has generally been believed that he found it impossible to rally any supporters to his peaceful propositions due to his inability to supply funds and lucrative garrison areas for the numerous claimants. In this certainly Chiang Kai-shek did not assist him with money or territory. Yen discovered on this excursion, if he ever felt otherwise, that Chiang Kai-shek was not co-operating in a peaceful solution. It was thought that he returned to Shansi a disillusioned man with prestige greatly diminished. In view, however, of recent developments it is possible that he secured some allies to fight for a share of spoils if not to seek for them peacefully. This remains to be seen.

Meanwhile Chiang Kai-shek proceeded actively purchasing munitions of war, organizing new divisions, and concentrating his main forces so as to base them more securely on Nanking. There are evidences that in shifting his principal zone of operations to the coastal provinces, the more certain defense of his vital revenue producing areas and political base was as important a consideration as the new offensive strategy of cutting off his enemies from the sea. Chiang Kai-shek, whatever may be his reasons, is shortening his lines. Likewise he has shifted his main political and military objective from the Kuominchun to Yen Hsi-shan. This leads one to suspect that he considers the Kuominchun relatively ineffective either because of its recent misfortunes or because he has done some decisive buying within the Kuominchun ranks.

Battle of Words Begins. As late as January 23, Yen Hsi-shan was formally given his oath of office by a member of the C.E.C. as Vice-Commander-in-Chief of China's forces. This, however, is not to be interpreted seriously. At the first of February Chiang Kai-shek was reported preparing to depart for Kwangtung where the situation was developing unsatisfactorily. It is said that Hu Han-min urged him to remain for two reasons, namely, that Canton was not safe for him, and that Yen Hsi-shan might take this occasion to strike. In any event, as has since been disclosed, in a telegram dated February 10, Yen Hsi-shan sent an over-courteously phrased admonition to Chiang Kai-shek against his policy of unification by force and requested that Chiang accompany him abroad in order that the situation might be relieved by the absence of Chiang's disturbingly powerful personality. Its meaning was clear to the Chinese as a charge that Chiang was responsible for China's civil wars and should go. The same day a manifesto signed by the heads of the five yuan made a searching appeal to "the military of the country" to refrain from resort to civil war. This very genuine-sounding appeal to an unbiased observer could have applied equally to Chiang Kai-shek or Yen Hsi-shan. However, in view of its source, it was doubtless a combined warning and appeal to Yen not to disturb the peace.

On February 12, in answer to Yen's telegram, Chiang Kai-shek stated, "With the situation unsettled, how can I bear to give up my responsibilities? I hope that you will continue to co-operate with us in shouldering the great burden and not feel pessimistic over the situation". Thus spoke the wolf in a well known fairy tale. The following day to the press Chiang announced that he had no intention

of quitting his post and, furthermore, that he would exterminate all the reactionary militarists everywhere in China.

The revolt of Shih Yu-san, and his allies, Ma Hung-kwei and Han Fu-chu, allegedly was settled by negotiation, through the good offices of Ma Fu-hsiang, the Mohammedan leader. The present warlike preparations are directed immediately against them---particularly against Shih, who alone is in open revolt. However, any advance of Chiang Kai-shek's troops to the north is in the nature of a military occupation designed ultimately to destroy the autonomy exercised by the northern leaders. The threat on the Tsin-Pu and Lung-Hai railways had brought the Kuominchun and Yen Hsi-shan closer together. More than ever they are now mutually dependent for their existence. This may result in Feng Yu-hsiang's release by Yen.

So many semi-independent commanders now entertain sentiments against Chiang Kai-shek that any success in consolidating them would effectively upset the present government. The results of conferences and negotiations now in progress will disclose whether or not Chiang Kai-shek will be permitted to continue with the policy of defeating his array of oppositionists in detail.

In The South. It is utterly impossible to estimate the situation in Kwangtung and Kwangsi. Government reports have repeated endlessly that mopping-up operations in Kwangsi were about to be completed. On January 23, it became known that the allies in Kwangsi were threatening Wuchow again. Canton was uneasy. The reports have been wholly unintelligible as to details, but it is quite clear that the combination of Kwangsi rebels and Chang Fa-kwei, representing the Reorganizationists, is still an active menace. Chiang Kai-shek was planning to hasten to Kwangtung but was advised against attempting it.

The Hongkong authorities have reported to the British Legation that the present situation has resolved itself into a political movement of the various elements to compromise their differences and to establish a regime in Canton which may be expected to be highly autonomous, if not openly antagonistic to Chiang Kai-shek.

As nearly as can be gathered the "rebels", reinforced by discontented units from Hunan and Kweichow, hold a general north and south line through Kweilin, with some units in occupation of southern Kwangtung. The latter probably hold coastal areas which permit the importation of arms.

3. SINO-RUSSIAN AFFAIRS.

Nanking has engaged in numerous meaningless denunciations of the Harbarovsk Protocol of December 22, 1929. Threats of its cancellation have been published. Various public organizations have demanded absurd actions to remove the Russian advantage. All of the foregoing agitation, however, while expressing real feeling, is either feeble fuming at disagreeable facts or is an appeal for world sympathy. The Protocol was, in effect, the terms of surrender following a decisive military defeat in which Nanking had little voice and in which the Mukden authorities had no discretion. Russia demanded terms which she is still in position to enforce.

Mo Teh-hui, new Tupan of the C.E.R. and Mukden's appointee as delegate to the Moscow Conference, after being repeatedly ordered to Nanking to receive instructions regarding the coming conference,

finally arrived at the capital on about January 27. His mission was less one of receiving instructions than of convincing the Nanking authorities that they should proceed cautiously in saving their faces at the expense of subjecting Manchuria to another costly military lesson from Russia. Distant lambs may well speak of dignity and terms in relations with the bear, but the threatened lamb is concerned with dodging heavy paws.

Nanking has resorted to pitiable devices to save face but essentially has had to accept Russia's terms, probably with the insistence of Mukden's representative. The government has dismissed the head of Asiatic affairs in the Foreign Office, recalled the Minister to Finland who had been assigned an impossible task in the early negotiations, and censured Tsai Yun-sheng, the Mukden delegate to Harbarovsk. None of these men was responsible for China's disgrace. A manifesto by the Foreign Office (see Report No. 7657) salved Nanking's dignity, denounced the Protocol, without cancelling its terms, and stated China's position regarding future negotiations, which Russia may or may not concede.

Mo Teh-hui left Nanking January 15, stating he would proceed to Moscow about the middle of March.

4. MANCHURIA SEEKS N EW MILITARY POLICY.

The Fengtien reinforcements have been withdrawing from the North to their garrison areas as rapidly as transportational facilities permit. The area between Shanhaikuan and the Lwan River is being heavily garrisoned. The Manchuria authorities are searching to remedy the causes of the utter incompetence of their military establishment. Conferences held during January have considered measures for thorough reorganization, but details of their plans, if formulated, are not known. Rumors have mentioned that conscription is being considered, German officers to train a new army have been suggested, and grandiose schemes for a new air force are proposed.

Specific information regarding these projects is not available. It may be depended upon, in view of all past military efforts, that the fundamental causes of the incapacity of the Chinese to create and maintain formidable military establishments will not enter into the deliberations of the confused commanders. An unmartial people, they will submerge themselves in debt to provide anew those material sinews of war by which alone they believe battles are won. Ceaselessly, in China, this misconception creates dull repetitions of waste——and suffering to the people.

5. THE ATMOSPHERE OF THE CAPITAL.

The writer had the privilege of visiting Nanking in January 1929, and again this year, at the same season, in company with Mr. Johnson. The physical appearance of the capital has changed little except for the completion of the Chungshan road and several cross-roads which have greatly relieved the traffic congestion. The population has increased during the year, while the accommodations, hygienic measures, etc., have not kept pace with the increase. The thickly settled portions of the city therefore present a very unwholesome, crowded and unsanitary condition.

There has been little building except for such smaller commercial enterprises as can realize ready profits. The Ministry of Railways has completed its temporary offices——and an excellent residence for Mr. Sun Fo himself. The Ministry of Justice is erecting a modest building. All the government revenues admittedly have gone for war expenses which might otherwise have permitted the beginning of the approved plan for the permanent government center. Officials are living in crowded and uncomfortable quarters, but these are not building residences in Nanking. They establish their real homes in Shanghai. The water and sewerage systems have not been begun.

Lack of available revenues has prevented any appreciable construction on the part of the government, and individual officials have not sufficient confidence in the stability of the regime to invest privately in Nanking real estate.

Despite the determined efforts of the government (or perhaps Chiang Kai-shek) to discourage the celebration of the Chinese New Year, Nanking was en fete nevertheless. Government offices were open but not functioning; the majority of the shops were closed; the conventional red posters were everywhere; and the people were clearly enjoying the spirit of the ancient festival. The efforts of officialdom to cancel this time-honored custom were resented as a gratuitous irritation, and are illustrative of the many ways in which the Kuomintang flings itself futilely against Chinese tradition and the anarchism in Chinese character.

The spirit of the government officials was in marked contrast with their hopefulness and determination of last year. Then there was the air of great animation. Whether wisely and efficiently or not, things were being done, and most of the officials were enthusiastic in expressing their hopes for the future. This year, even with a new and sympathetic American Minister upon whom to impress, there was a notable air of weariness and disillusionment among the officials. Whatever other influences may have been at work——post New Year fatigue or hesitancy to be pretentious to one familiar with China——these men were wearied by distressing facts, fears and failures which could not be obscured.

They could not boast to Mr. Johnson of accomplishment nor hide from him the pathetic rents in their symbols of power. But I do not think their lack of enthusiasm was the result of his presence. The revolutionary impulse was gone, and the momentum of the government of the Kuomintang showed evidences of reverting to the stride, in spirit and quality, that is China.

6. MISCELLANEOUS NOTES.

Hulutao Harbor. A contract between the Mukden government, with Nanking's approval, and the Netherlands Harbor Works Company was signed on January 24, for the development of Hulutao harbor. (For details see Report No. 7660.)

Mr. Soong's Ambition. Mr. T. V. Soong was appointed Vice-Director of the Executive Yuan on January 14, in addition to his portfolio as Minister of Finance. From a reliable source it is learned that Mr. Soong is beginning to aspire to higher political honors than that of most efficient money collector. He now gives thought to appeasing the personal enemies which his brusque manner has created among Chinese officials. He is organizing as salt smuggling prevention guards a division of troops which may be considered as the beginning of a personal military following. The formation of this division is being entrusted to Wen Ying-hsing (West Point 1909).

Another Explosion of Munitions at Nanking. On February 8, there was a violent explosion of a powder magazine situated near the famous Soong House at Nanking. Windows were shattered within the radius of a mile. The loss of munitions and cause of the explosion have not been disclosed.

Trans-Siberian Resumes. On January 22, the first Trans-Siberian Express left Moscow for Harbin. A through express left Harbin on February 1, since when the regular service has been in operation.

American Minister Presents Credentials. Mr. Nelson T. Johnson, the new American Minister, presented his credentials to President Chiang Kai-shek on February 1. He arrived in Peiping on February 8.

Diplomatic Progress. Mr. C. T. Wang announced on February 14, the following status of diplomatic negotiations:

"The Sino-Czechoslovakian Treaty was formally signed on the evening of the 12th and will be published simultaneously at Prague and Nanking. The Sino-Greek Treaty has been ratified by both Governments concerned, while the Sino-Polish Treaty is still under elucidation. These treaties will be used as models for future treaties which may be negotiated between China and foreign countries, being based on the principles of complete equality and reciprocity.

"The Shanghai Provisional Court Reorganization Agreement will be signed on the 17th inst. at Nanking.

"The draft agreement for the rendition of Weihaiwei has been initialled by Sir Miles Lampson and Dr. Wang. It has now been sent to London for consideration. The agreement will be formally signed when the approval of the British Government is forthcoming. This will constitute the first step of the National Government's policy in recovering leased territories.

"The draft of the Sino-Turkish Treaty has been initialled by Dr. C. C. Wu and the Turkish Ambassador at Washington, and is now being mailed to Nanking. It will be signed when sanctioned by both Governments concerned.

"The Sino-French Treaty concerning Annam has not yet been signed, as a reply from Paris has not yet been received.

"Conversations towards the conclusion of a Sino-Japanese Treaty is in progress though proceeding slowly."

John Magruder
Major, General Staff,
Military Attache.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

February 16—March 9, 1930

1. General.
2. Military Situation.
3. Political Situation.
4. Observations in Taiyuanfu.
5. Third Plenary Session.
6. Miscellaneous Notes.

RECEIVED G/2 W. D. APR 9 1930

1. General.

During the period covered by these Comments, war preparations were continued by Chiang Kai-shek and Yen Hsi-shan at the same time that they waged a telegraphic controversy. It was generally believed that war was inevitable. However, by March 4, it became evident that Yen was a leader of denunciation rather than action and his various adherents, who were prepared to follow an aggressive policy, gradually drifted away from him. He had no support in his do-nothing policy, and alone was incapable of asserting himself. On March 3, he resigned from all his offices, and reopened his humorous talk of going abroad. Feng Yu-hsiang was brought back to Taiyuanfu on February 28, apparently prepared to re-enter the arena again. Later events create the suspicion that the Kuominchun has secretly been seeking other affiliations.

Chang Hsueh-liang issued an appeal for peace on March 1. Literally nothing more than an expression of fine, sound sentiment, this statement, however, seems to have been the outward expression of some deeper meaning. It is felt that it marked Mukden's entry in the national politics on a new basis.

Chiang Ka i-shek, positive as usual, nevertheless adopted tactics calculated to allay public sentiment which undoubtedly was averse to his former bellicose methods. Yen's appeal for peace was not in vain, but Chiang Kai-shek cleverly re-asserted his leadership with a technique modified to suit popular tastes. The Third Plenary Session of the C.E.C. did not denounce Yen, as was expected; Chiang's superior forces did not move to the attack; the government patiently permitted Yen's inaction to work his own undoing, while buying over the rebels, Han Fu-chu and Shih Yu-san. By March 5, Yen's own front line troops were marching backward against him. Strangely, the Kuominchun just west of Chengchow permitted the turn-coats to pass through Chengchow and northward on the Kin-Han Railway without interference.

Yen's bubble seems effectively to have been pricked. His divisions are withdrawing everywhere into Hopei without resistance. What price Chiang has paid for this readjustment remains to be seen. The Kuominchun and Mukden, if it is true that they have agreed to Yen's eclipse, may be expected to enjoy temporary benefits while awaiting their turns to be the victims of the next phase.

No appraisal is possible of the situation in the South where the Kwangsi allied rebels advance and retreat near the Kwangtung-Kwangsi frontier, and where political manipulations of a complicated character are in progress. Nanking successes in the North should be reflected at once in Canton.

2. The Military Situation.

The endless shifting of Chinese divisions bears little relationship to the real forces which effect Chinese situations. Troop movements rarely seem to have any causal meaning. Rather they reflect the political manoeuverings which have already taken place behind the scenes. Thus far in this situation, the change of opinion and interest on the part of important leaders has created territorial voids into which the troops flow, more as the symbols of power than the expression of power.

There has been no fighting, except for the securing of the Tsin-Pu Railway in the Lincheng area against the raids of the half-bandit organizations of Ka o Kuei-tze and Jen Ying-chi. These still constitute a menace in eastern Shantung. The government continued with the concentration of its troops in the Suchow area. Reinforcements were sent to Chen Tiao-yuan in southern Shantung to assist in liquidating the situation there. Up to the present only small numbers of government troops have advanced into Shantung to support Chen Tiao-yuan's three divisions. If Yen withdraws from Hopei (Chihli) one wonders whose troops will garrison the province. This gives rise to the suspicion that Mukden may have been rewarded for its "allegiance" by being invited south of the Wall. Mukden's navy, with marines ashore, has also been given the responsibility for the safeguarding of Tsingtao. For whom, it is not clear.

When shifty Han Fu-chu and Shih Yu-san declared themselves once more loyal supporters of the government, the latter moved by rail through Chengchow and into northern Honan while Han Fu-chu withdrew into the Kaifeng-Chengchow area. During this movement, the Kuominchun sat along the Lung-Hai observing it supinely, while Yen's divisions entirely withdrew into southern Chihli. Yen's three divisions on the Tsin-Pu Railway which made a half-hearted threat toward Shantung are now meekly withdrawing nearer to Tientsin. Sun Tien-ying, with his 30,000 bandits, is adrift in northern Anhui.

Liu Chen-nien at Chefoo has manifested much military activity in enlarging his sphere of influence in the Shantung promontory. He has been clearly identified with Yen's opposition movement. This isolated feudal leader, while of little national importance, is nevertheless a forceful and picturesque character.

3. Political Situation.

No culmination has been reached in the series of extraordinary events of the past month, but changes are in progress unlike anything foreseen by observers, or perhaps by the Chinese leaders themselves. At the moment it appears that the war which seemed imminent has given way, temporarily at least, to a make-shift solution arrived at by means of compromises on both sides to the dispute. The nature of the settlement, if it be a settlement, has not become evident and there are shiftings of troops as yet so perplexing that they may be interpreted either as a disengagement of the forces or preliminary moves to an open clash.

The superficial political and military changes are so confusing and contradictory that from them intelligent deductions are now impossible. There are several fundamental factors in the situation and a few known facts which may indicate a general trend of affairs. The vital need in China today is peace. The vital factor affecting the probability of peace is the ability of the Central Government to direct affairs toward a

peaceful solution. Accepting China and the Chinese as they are today—— not as they may be in the future——the test of the Central Government is whether or not it can maintain peace in the face of the present monumental difficulties. All the responsible leaders, in the government and out of it, genuinely desire peace. The present crisis has arisen over sharp differences of opinion as to the policy to be pursued in preventing civil strife.

Chiang Kai-shek is the exponent of unification by force, or the complete centralization of authority and the attainment of peace by the elimination of all who oppose that policy. Yen Hsi-shan is the spokesman for those who believe that China is not prepared for a high degree of centralization and that whoever attempts to effect it will only stir up endless strife. He defends the policy of peace by compromise, not because it is the ideal arrangement but because he believes it is the only peace possible at this time. Naturally the situation is vastly complicated by personal ambitions, struggle for existence and all manner of inglorious motives among the leaders. Age-old prejudices are responsible for much friction. In a broad way, the military preparations and the telegraphic controversy which have been in progress for the past month were precipitated by the issue between Yen Hsi-shan and Chiang Kai-shek as to the right of the former to exist and the latter to claim that he is the government.

It is unnecessary to quote from the lengthy telegrams which passed back and forth between Nanking and Taiyuanfu. Much of them was devoted to mere Chinese ceremonial language, much to propaganda appeal, but underlying the controversy was a new note of rather modern political argument which gradually became more acrimonious and more direct. This may be considered a sign of political progress in China. Yen constantly pled for peace regardless of political principles and theories; Chiang at first countered with the defense of more or less abstract principles regarding the prerogatives of government, but later was forced into defending his policies as peace-bringing measures. It is suspected that Chiang Kai-shek was not wholly supported by his own party men in his forceful ideas.

Just when it appeared that war was inevitable a series of confusing events transformed the situation into what, at the moment, appears to be huge compromises for peace on both sides. Starting with an insistence upon Chiang's going abroad with him (which meant Chiang's going alone), Yen ended on March 5, by telegraphing his resignation from all his government offices. His language was caustic, however, and sounded like an ultimatum. Chiang, who had concentrated his troops for what seemed to be a serious fight and announced his intention to put down rebellion, gradually became conciliatory. The plenary session of the C.E.C., which met on March 1, was expected to propose drastic action against Yen. On the contrary an innocuous committee consisting of three officials friendly to Yen were appointed to investigate Yen's conduct. Peace-makers cropped up in every corner.

Both Yen and Chiang outwardly developed a compromising attitude, or became hesitant to precipitate war, as the case may be. There were evidences on both sides of fear of trying a decision. Some reasons advanced for Yen's change of mind are: his failure to get whole-hearted support from the general line-up of opposition leaders; the subversion with government money of minor adherents; lack of support from the Kuominchun; fear of the attitude of Chang Hsueh-liang; general disinclination to take aggressive action. These are all purely supposition.

Similarly, Chiang is suspected of having become cautious because of the objection of party men in his own camp to support his unification policy; the fear of the strength of the opposition if consolidated by his

offensive; deference to the popular objection to war, whatever the cause; Chiang Hsueh-liang's serious advice against breaking the peace.

It is interesting that while both sides sought the backing of Hukden the Young Marshal outwardly offered aid and comfort to neither side but strongly advised a peaceful settlement. To this telegram Yen thoroughly agreed and intimated that objection to Chiang's aggression was the whole substance of his contention, while Chiang Kai-shek found it necessary to explain certain of Yen's acts, thereby admitting his intent upon punitive measures. Hukden's public attitude offered only discouragement to any change in the status quo. There are, however, straws in the wind which indicate that Chang Hsueh-liang's attitude brought pessimism into Yen's camp.

During the telegraphic battle, Yen brought Feng Yu-hsiang with honors to Taiyuanfu. Here there is every outward appearance of harmony. Feng asserts that the Kuominchun is completely subject to Yen's orders. This may or may not be true. The Kuominchun has made no move since its leading elements reached Kunghsien on the Lung-Hai Railway. It is also true that Yen himself has made only the ineffective and vacillating military movements previously described.

The circular telegram of February 23, presumably signed by forty-five generals, if designed to intimidate Chiang Kai-shek, failed in its purpose. Yen remained inactive, while his supporters became lukewarm. But Chiang was not idle. He began active negotiations even with the renegades, Han Fu-chu and Shih Yu-san. By March 5, what with money payments, ammunition, and nobody knows what promises, these two had again shifted sides and begun moving toward Chengchow as government troops. Yen's front line had turned upon him and, without fighting, the Lung-Hai to Chengchow was lost to the North.

As nearly as can be ascertained at this time, Chiang's politics and money have again split the opposition forces. The intermediaries between the government and Yen are patching up a compromise in which face-saving is the only sincere motive. The "war" has been postponed but not a single cause of the enmity and hatred has been removed. The senseless round of intrigue will begin again. In observing the utter incompetence of the government's enemies, the failure of Chiang Kai-shek to proceed with their suppression is incomprehensible except on the score that his organization, too, is honeycombed with inefficiency or else that China is a huge unworkable mass whose moulding has only begun. The government has yet to justify its existence by providing peace, by any method whatsoever, to a harassed people.

4. Observations in Taiyuanfu.

The British Military Attache, just returned from a visit to Taiyuanfu, expressed great surprise at the confusion, aimlessness and unmilitary atmosphere existing in a sub-capital from which a major opposition movement was being conducted against the government. He was impressed with the truism that rarely is there a military situation in China. The political bureau conducted what there was of the military campaign. Yen Hsi-shan confided in no one except his chief secretary and assistant, and these two personally coded and decoded large sheafs of daily telegrams. Yen himself ordered the movements of divisions and frequently changed his mind after the movement had started. One division entered and left Chengchow three times in one month. The Chief of Staff was not always informed after personal orders had been given by the

Generalissimo. He complained of being "only a second lieutenant" and of never knowing what Yen had in mind. Sometimes in the midst of train movements a division commander would be ordered to release all of his trains and the division would be left wherever the order reached it.

The typical, casual air of a Chinese yamen pervaded all of the military headquarters. The military personnel complained of never being consulted regarding plans. In the midst of what superficially was a state of war, Yen insisted that he would not fight regardless of what Chiang Kai-shek might do. Nevertheless he had the second largest arsenal in China in full activity. Delegates from commanders all over China were present in Taiyuanfu, including those of Han Fu-chu and Shih Yu-san, who had just turned over to the government and were presumably marching against Shansi forces north of Chengchow. Bargaining with them was in progress to develop whether Yen could offer them more than Chiang Kai-shek had just given.

Yen and Feng were apparently on the most intimate terms despite their fantastic relations of the past year. Both expressed their hatred for Chiang Kai-shek, but the President's portraits adorned the yamen. When the M/A asked why more active military measures were not being taken to guard against the threatened offensive of Chiang's well trained army, almost generally the answer was given that he could not attack because public opinion was against it. Yen was an enigma even to his most important subordinates. They all expressed disgust with his hesitancy to take positive measures when favorable situations offered to overthrow his enemy.

These incidents are mentioned to show the utterly anomalous and exotic character of the affairs conducted by the major figures in China.

5. Third Plenary Session.

On March 1, the plenary session of the Central Executive Committee and Supervisory Committee convened at Nanking. Twenty-one regular and thirteen substitute members of the C.E.C., and eight regular and two substitutes of the Supervisory Committee were present at the opening meeting. The session was organized into a presidium, a party affairs forum, political affairs forum, financial forum and education forum.

Little of the real deliberations was published. The foreign affairs forum approved Mr. Wang's program for 1930, including negotiations for: the rendition of inland navigation rights; the retrocession of concessions; and the withdrawal of foreign troops in China. The attitude was calm toward the crisis precipitated by Yen Hsi-shan. A committee to investigate, really to white-wash, Yen's acts was appointed consisting of three members all known to be friendly to Yen. Chiang Kai-shek apparently was content with the measures he had already taken to settle this trouble. The plenary session, containing no opposition elements, was not faced with any controversial subjects. It is believed that what influence existed in the meeting was thrown in the balance in favor of peaceful compromise with the opposition elements.

The following is taken from a statement issued at the closing session in expressing the importance of accomplishing "practical social enterprises":

"These projects will be carried out in their order of importance, special attention being paid always to the financial resources of the government and the needs of the various localities concerned. Establishment of a modern capital in Nanking, protection of modern industries, improvement of various river systems in the northwest and construction of more railways— these are some of the projects which need the immediate attention of the authorities. The social and economic danger in China is growing more serious with the progress of time. Unless we practice thrift on the one hand and avail ourselves of foreign machinery and technical skill, it is difficult to secure speedy results in the work of reconstruction and thereby improve the lot of the common people."

4. Miscellaneous Notes.

90 successful Chinese candidates out of 200 who took the entrance examinations are to enter the Japanese Military Academy on November 1, following a period of attachment to Japanese units beginning April 1.

* * * *

Yen Hsi-shan's final message of the recent controversy issued on March 5, is as follows:

"I have always been passionately devoted to the cause of peace. I cannot bear to tell my countrymen of the numerous difficulties which I have experienced during the past few years. The views which I recently advocated on national affairs were intended to put a stop to civil strife. Since they were not adopted by the government, how dare I to see disturbances arise as a result of my advocacy of cessation of civil strife? I and Marshal Feng Yu-hsiang are going abroad at once so as to fulfil our original desire." (Signed Yen Hsi-shan.)

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

March 9—23, 1930

1. General.
2. A Northern Military Government Emerges.
3. The Military Situation.
4. Outcome Impossible to Estimate.
5. Miscellaneous Notes.

RECEIVED G/2 W. D. APR 25 1930

1. General.

The events of the past two weeks have somewhat clarified, relatively speaking, the obscurity of the situation mentioned in the last Comments. The sudden turnover of Han Fu-chu and Shih Yu-san created consternation in Taiyuanfu and precipitated a hasty retreat of Shansi divisions. It appeared that Yen Hsi-shan was isolated and that the government troops were preparing for an occupation of Hopei.

Information was lacking, however, of a series of conferences which took place in Taiyuanfu during the first week of March, the results of which have greatly altered the political and military situation. Feng and Yen, mutually in danger, reaffirmed their compact, and the former's influence transformed Yen's negative attitude into one of determination to resist extinction. A military government came into being and the pretense of cooperation with Nanking was dropped. Feng joined his troops which began an advance eastward from Tungkwan. Yen gave orders to clear his area of Nanking's official organs and troublesome party activities.

Shih Yu-san renewed his affiliation with the Northern allies while Han Fu-chu, remaining doubtful, shifted his troops eastward of Chengchow clearing the area for the Kuominchun.

The positive decisions in Taiyuanfu caused Chiang Kai-shek to withdraw his loyal divisions in Shantung more closely to his concentration in northern Kiangsu. He and the party leaders assumed a more cautious attitude, propagandized along peaceful lines, and announced defensive, if stubborn, military and political tactics. They prepared to meet the Kuominchun threat with their troops and resources well conserved in the Suchow-Hsuchow-Pengpu area. Chiang Kai-shek himself is at present on a very mysterious visit to his home near Ningpo, the significance of which has given rise to wild conjectures. It is suspected that timid party leaders obstructing Chiang's forceful policies have given him sufficient trouble to cause him to seclude himself temporarily until the abject fear of the civilian politicians causes them to yield to his will. They may beg him to return——as dictator.

Chang Hsueh-liang is being besieged by important and importunate delegates from the intra-mural leaders. He seems to stand firmly neutral and pleads for peace in an admirably genuine manner. His attitude seems to be that he would maintain the unity of government but would not support Chiang Kai-shek's forceful centralization of authority. His health permitting, Chang Hsueh-liang promises to attain recognition for ability and integrity well beyond that derived as the son of his father.

As the period closes, the events seem to be leading to important developments which may result in a big civil war or very great changes in the constitution of the Central Government——or both. The threat of a new government, now only in the stage of a clear-cut military opposition, and the operations against the party in the North are creating consternation in the whole Southern party camp.

In the Kwang provinces the balance of forces has been little disturbed. That situation will probably later reflect the outcome of the major affairs to be decided north of the Yangtze.

2. A Northern Military Government Emerges.

At the end of the period covered by the last Comments, from available information, Yen Hsi-shan seemed faced with the decision of whether or not to withdraw his armies back within the mountain fortress of Shansi. His series of negative measures appeared to have alienated all of his fellow-oppositionists and there were indications that even the Kuominchun might have cooled toward him. Shih Yu-san and Han Fu-chu suddenly moving westward along the Lunghai Railway and northward on the Kinhan, followed the retiring Shansi units to the border of Hopei as if to initiate the campaign to recover the Peking and Tientsin area for the government. Chiang Kai-shek reinforced his troops in Shantung and the Shansi divisions on the Tsin-Pu Railway withdrew from the Tsehow area.

There was evident depression among the Shansi adherents, while government officials spoke confidently of the future. There was a feeling that Chiang Kai-shek was preparing to retake the North. Without the acquiescence of Mukden and the Kuominchun this could not be done casually, and it was suspected that there might have been formed a quite new arrangement which involved the isolation of Yen Hsi-shan.

Yen Hsi-shan Decides To Fight. However, the atmosphere changed abruptly. Yen himself had created a situation in which he had to disappear as a national figure or join unreservedly with Feng Yu-hsiang. Important conferences took place in Taiyuanfu on March 6 and 7. It is reported that Feng laughed heartily when the mild-mannered Yen maneuvered Feng into making the decision for the two to fight. Shansi journals state that Yen and Feng quietly assumed the titles of Commander and Vice-Commander, respectively, of the "Allied Armies of the Republic of China" as early as March 3. Feng left Taiyuanfu to join his troops on March 8, apparently assured at last of Yen's genuine support——at least to the point where the menace of Chiang Kai-shek was removed.

The decisions of March 6-7 seem to have severed the ties cleanly between Yen and Nanking. A new military government of China was born, the aim of which is to replace all that is signified by "Nanking". The events which followed show that the situation is altered in an important respect, namely, that the pretense of opposition within the government has changed to outright rebellion. Delays and postponements of a major war may be expected as both sides seek adherents, but it seems impossible to compromise the present difficulties except by complete acceptance by Nanking of the fact of a new regional government or a clean-cut of the present government. This would involve the elimination of Chiang Kai-shek himself.

The salient events referred to above are as follows: Feng Yu-hsiang rejoined his troops after an absence of about eight months and the Kuominchun began to emerge in force from Tungkwan. Nanking accepted Yen's resignation from all his offices on March 10. During the following three days the Kwangsi generals denounced Chiang and requested Yen to remain; the Shansi generals charged Chiang had attacked them and insisted that Yen "save the nation"; a large list of generals of the 2nd, 3rd and 4th groups of armies, in a combined circular enumerated Chiang's "crimes" and demanded his retirement. Shih Yu-san ceased his advance and showed unmistakable signs of being anti-Chiang, while Han Fu-chu adopted an indecisive attitude.

Nanking Defends. On the Nanking side, a marked change of spirit was reflected. Under pressure perhaps of the party leaders, Chiang Kai-shek had previously adopted Yen Hsi-shan's thunder and was appealing to the public sentiment for peace. On March 15, in a speech, the President announced that the Northwestern Army under the title of Chinese National Army was advancing from Tungkwan and that the government forces would assume the defensive——in the cause of peace. The government reinforcements under Ku Chu-tung, which had moved to Tsinanfu, were withdrawn to southern Shantung. Chiang Kai-shek, either for strategic or political reasons, assumed a defensive attitude in the Suchow-Pengpu area. It is believed that he is preparing for a decisive action on ground of his own choice. Militarily and politically he has assumed the active defense. His official statements and military preparations indicate that he is desirous of luring the Kuominchun into battle under favorable circumstances.

Meanwhile Chiang left Nanking is great secrecy on March 20, and instead of inspecting his troops at the front visited the Yangtze forts and Shanghai, and then proceeded to Ningpo to "worship at the graves of his ancestors". His movements gave rise to considerable speculation. At a critical time like this his personal movements would seem to be stage play for political effects or a ruse to encourage a precipitate attack on his troops. One report is that he is planning a meeting with Wang Ching-wei, in order to conciliate the left wing group in face of the Northern menace. In any event, his trip is not casual. Already agitation has started in Nanking official circles demanding his return.

Administration of Nanking Disappears in North. Another evidence that the bridges between Taiyuanfu and Nanking are burned is the closing by Shansi officials in the North of all government journals, government and party offices, and the replacement of Nanking's officials in the government services. This process was started on March 18, in Peking and Tientsin, and has progressed to the point where the Nanking administrative personnel and offices, aside from the Maritime Customs, no longer function north of the Yellow River. The pretense of unity has ceased to exist. What little that openly remains of the Kuomintang organization in the North has ceased to be the Kuomintang of the Nanking Party Central.

Mukden Neutral. Mukden continues to adopt a neutral attitude. Delegates from all factions have flocked to the Manchurian capital importuning Chang Hsueh-liang to threw his political weight, perhaps moral only, into the balance. The Young Marshal, in his own name, undeniably is emerging as a major figure in Chinese politics. He is a decisive factor in the outcome of the present large-scale struggle. It is believed that he sincerely is devoting his influence to maintain peace.

He defends the Central Government as an institution, as against a separatist northern movement, but he withholds support from Chiang Kai-shek in his dictatorial policy of smashing all opposition. Chang Hsueh-liang is powerful only by virtue of the existence of regional autonomy. He is in harmony with the majority of Chinese in recognizing that regional autonomy is a very necessary evil during this trying period.

If war comes, the Young Marshal will have sufficient time, when success is clearly indicated, to join hands with the winning side.

3. <u>The Military Situation.</u>

The changes since the last Comments have largely been political rather than military, as will have been gathered from the preceding discussion. Chiang Kai-shek has simply refrained from any ventures or dispersion of force away from his main concentration in the Suchow-Hsuchi-Pengpu area. He strengthens his position here in men and materials as if intent upon accepting a decisive action if attacked. His military dispositions are sound. There is a report that his withdrawal of forces from north and central Shantung was caused by fear of a threat against Kiangsi by Ho Chien from Hunan. However, the incomprehensible movements and attitudes of Shih Yu-san, Han Fu-chu and Sun Tien-ying, together with the advance of the Kuominchun, sufficiently accounted for his caution.

It appears that Chen Tiao-yuan is being left unsupported to handle any encroachment by Liu Chen-nien from his Chefoo base, and a possible invasion down the Tsin-Pu by Fu Tso-yi. The meager garrison of Chen is also embarrassed by the still unliquidated detachments of Kao Kuei-tze in the Ichowfu-Chucheng area. Ku Tze-tung with the 2nd Division was withdrawn from Tsinanfu for the defense of the Tsining-Yenchow area, Chiang Kai-shek's northern flank.

The Shansi troops, following their hasty withdrawal up the Kin-Han from Chengchow before Shih Yu-san's army, and their temporary raid into northern Shantung, are now concentrated in two groups generally in the Tsangchow and Taming areas. His reserves are at Peking and south of Shihchiachuang on the Kin-Han Railway. Shih Yu-san, who doubtless is now cooperating with the Northern allies, appears to be moving from the Sinsiang area on the Kin-Han toward Tsaochow as if constituting the connecting force between the Shansi army and the Kuominchun.

Han Fu-chu is the most doubtful leader in the present situation. Fearful, it is believed, of the vengeance of Feng Yu-hsiang and hence unable to rejoin the K uominchun, he accepts government assistance and is believed to be loyal to neither side. At the moment, having withdrawn from the Chengchow area in favor of Wan Hsuan-tsai, who vacated Loyang ahead of the entry of the Kuominchun, Ha n is on the Lunghai between the advancing Kuominchun and the government forces. Confusing reports state that his troops are fighting those of Sun Tien-ying, the bandit leader, near Kweiteh. The meaning of this conflict is not clear but it indicates that Han Fu-chu is not in the northern camp.

Thus at this time Yen and Feng, apparently with a common plan and working in harmony, are slowly closing in on Chiang Kai-shek's highly concentrated main force. The Kuominchun is said to be in a very combative spirit while Chiang Kai-shek and the Nanking officials outwardly manifest a high degree of confidence while awaiting the blow. Whereas it is not believed that any fundamental adjustment at this stage in China's history is possible, the impending clash promises to be

Nanking's severest test of strength thus far encountered. Whichever side wins a major engagement it is not time to expect that any degree of stability or the long-sought peace will have come to China. Nevertheless a readjustment in the relations between the North and South, effected by military pressure or by a military decision, now seems unavoidable.

4. Outcome Impossible to Estimate.

No serious observer ventures any predictions as to the outcome of the present situation. It can be said that widespread military forces and sentiments are predominantly against Chiang Kai-shek. However, no confidence is felt in the cohesion nor in the synchronization of effort which can be expected from the heterogeneous enemies of the government. The government has the advantage of controlling the sources of revenues but it has the responsibility for obligations which increase at a faster rate than the income. The avariciousness of the gray commanders grows with the embarrassment of the government. Chiang Kai-shek's personal army is by far the best armed and equipped, and the best trained. His staff work and organization, greatly influenced by expert German officers, has reached a high degree of efficiency, judged by Chinese standards. On the other hand, his most dependable divisions are largely composed of southerners who as fighters are no match for northern men.

Were all the strictly military factors known and accurately applied the outcome would still remain obscure, due to the political and psychological factors which remain unknown. Nobody can foretell the loyalty of the commanders of any grade in any of the forces. There is observable in the present situation a phenomenon which is somewhat unique. Whether for good or bad, the processes of disintegration have so proceeded in China that even division commanders cannot be depended upon in crises to refrain from independent action through loyalty to their group leaders. Disloyalty is more then ever practiced in the lower grades. The Kuomintang effectively denounced loyalty to military chieftains but failed to institute a convincing impersonal cause or national idea in the place of the feudal code. Today no commander can be trusted by his superior if a personal advantage offers itself as a reward for disaffection. Not only does this fact render military estimates of a situation futile, and decisive action improbable, but seems to point to further progressive disintegration in the immediate future.

4. Miscellaneous Notes.

He Ying-chin Appointed Minister of Military Affairs. He Ying-chin assumed office on March 10, as Minister of Military Affairs, remaining concurrently Chief of the Training Department. The latter department is, in effect, the general war office of Chiang Kai-shek's own armies.

British Naval Mission. It is learned from British sources that the British mission engaged to train the Chinese Navy will not come to China until autumn of this year. A number of Chinese naval officers are now studying in England in accordance with the Sino-British agreement providing for the instruction of the Chinese Navy.

Sino-Japanese Tariff Agreement. The Sino-Japanese tariff agreement was initialed on March 13. This arrangement eliminates much existing friction in tariff matters between Japan and China; recognizes China's tariff autonomy in principle but fixes constant rates, for specified lengths of time, on certain articles; and paves the way for the negotiation of Japan's general commercial treaty.

The agreement is not yet signed.

Japan Discontinues Propaganda Journals. The North China Standard and the Shun Tien Shih Pao, Japanese subsidized daily journals published in Peking, in English and Chinese respectively, voluntarily ceased publication on March 25. These journals were propaganda organs and have outlived their usefulness as such. It is believed that Japan's retrenchment policy and her modified political policy vis-a-vis China both entered into the decision to effect economies and remove friction at the same time.

Proscription Removed. The orders for the arrest of Liang Shih-yi, Wellington Koo and Wang Koh-ming, formerly cabinet ministers of the old Peking Government, have been cancelled by the State Council "in accordance with repeated petitions from Chang Hsueh-liang".

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Major, Field Artillery

1st Ind.

Office of the Military Attache, American Legation, Peiping, China - March 24, 1930 - To: The A. C. of S., G-2, War Department, Washington, D.C.

Forwarded.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

March 24—April 6, 1930.

1. General.
2. Military Situation.
3. Political Features of Situation.
4. Progress or Destruction.
5. Journalistic Perspective.
6. Miscellaneous Notes.

1. General.

RECEIVED G/2 W. D. MAY 8 - 1930

The events leading to the impending civil war have monopolized the local news columns. Chiang Kai-shek returned to Nanking on April 3, after a two weeks' trip to Ningpo, Hangchow and Shanghai, during which it is believed he convinced the bankers of the expediency of further supporting the government. He expressed confidence in his ability to destroy the rebellion in the North. His forces in the Süchow-Pengpu area remain highly centralized. He has effected security measures which render his loyal forces independent of the gray troops. Altering his former policy, he seems to be concentrating all of his financial and material resources upon his own forces rather than burdening himself with the support of untrustworthy, heterogeneous divisions. Confidently he awaits attack with all of his troops and means in hand. Sound principles of war are being regarded, doubtless under insistent German advice. This is a unique phenomenon in Chinese war.

The Shansi troops have moved a little way into North Shantung and closed in somewhat on the west of that province. Wan Hsuan-tsai, marching eastward from Chengchow captured Kaifeng on March 29. His troops and those of Sun Tien-ying near Kweiteh forced Han Fu-chu to retire from Honan into Tsining (Shantung). The former rebel commanders now face the government concentration in the Pochow-Liuho area. The Kuominchun having fully occupied Chengchow about March 24, have thrown out troops both eastward and to the south as far as Hsuchang, but their further advance in force has not developed. Rumors from the South, which may or may not be propaganda, indicate that Feng Yu-hsiang contemplates avoiding the government concentration at Süchow and operating against Hankow, which area is fairly denuded of government troops.

In Kwangsi the situation is still obscure. Hongkong intelligence officers suspect the continuance of negotiations between Chen Chi-tang, the Canton commander, and the Kwangsi generals, but there are recent reports of advances by the Cantonese forces well to the west and southwest of Wuchow. The obstacle to a coalition between the Kwang province leaders seems to be the presence of Chang Fa-kwei's radical Ironsides.

Politically, the Northern coalition has progressed no further than the organization of a military government. On April 1, Yen Hsi-shan, Feng Yu-hsiang, and Li Tsung-jen, formally accepted the titles of Commander-in-Chief and Vice Commanders-in-Chief of the Army, Navy and Air Forces of China, respectively. Subordinate route commanders were appointed. Circular telegrams of the conventional types were issued. The ministers in Peiping were notified that the new organization would fully protect foreigners and were requested to refrain from giving moral and material support to Chiang Kai-shek.

From M/A, China Report No. 7698 April 7, 1930

The representatives of the left wing proceeded from Peiping to Taiyuanfu on April 1, but the delegates of the Western Hills clique (right wing) remained here. It is reported that a stormy meeting took place between the delegates of these two cliques on March 31. Chen Kung-po addressed university students the same day. An interview with Chen Kung-po by a reputable Chinese news agency quotes him as strongly advocating the immediate formation of a new government in North China. He gave as a precedent the military government of Dr. Sun established eight years ago, with reasons practically the same.

The Mukden Government has retained the same neutral attitude as was described in the last Comments. It is suspected that Yen and Feng are hesitant to declare a new government for fear of Mukden's displeasure with such a step.

2. Military Situation.

Traditionally in China commanders who have defended have been defeated. Chiang Kai-shek has upset numerous traditions, and this time has radically departed from his own customary tactics. His defensive attitude can be explained only on two scores: to provide time for the completion of the equipment and training of his newly formed divisions, and to lure his enemies out into the North China plain. Under German tutelage he was hoping for a longer period in which to make his forces invincible. The destruction of the Kuominchun was not possible so long as it could withdraw into the mountains after a knock. Feng and Yen have fought like marmots from a hole.

Another novel feature of the present situation seems to be Chiang's disregard for the many gray divisions. He seems intent upon keeping all his resources in money and material for his dependable troops. It appears that he is staking his future on military perfection rather than upon political allies and sheer numbers. Surely the German advisers are getting in their influence.

Chen Tiao-yuan in Shantung has always been a shifty ally. So have Han Fu-chu and Ma Hung-kwei. As covering forces they are worth their keep so long as they remain loyal. If they turn against Chiang they are now outside of his defensive areas. Han is at Tsining, Ma is in the Taian area, and Chen Tiao-yuan, with the equivalent of three divisions, is engaged in holding off Liu Chen-nien from northeast Shantung and Fu Tso-yi from Techow. Kao Kwei-tze, besieged at Chucheng, still requires Chen's attention. Chiang Kai-shek's faithful 2nd Division is covering his north flank in the Yenchow-Lincheng area. This flank rests on the Wei Shan Lake, just northwest of Süchow. Little information of Chiang's dispositions leaks out, but it is believed that he has adopted an active defense with his general reserves, or maneuvering mass, in the Pengpu area. He has about fourteen divisions and some independent brigades on the Tsin-Pu Railway. With auxiliaries his strength would probably reach 250,000. There are vague reports that he has organized the ground in strategic localities west of Süchow as well as in the passes of northern Hupeh.

Both the Grand Canal and the Tsin-Pu Railway lead into the area occupied. With his relatively short lines of communication from his Shanghai-Nanking base, and his superior weapons and resources, it seems unlikely that the rebels can dislodge him. However, he has left the Wuhan area lightly held and if the Kuominchun operates in that direction, Chiang must pass to the offensive. It is possible, if Feng

should separate from Yen and go land-seeking southward, that Chiang may rapidly crush Yen, secure all the coastal area, and still have time to prevent the Kuominchun from exploiting successes in Hupeh. It has been observed that Chiang has recently been transporting railway equipment by barge from Hankow to Pukow. He clearly has definite plans for decisive operations from the Suchow area.

Fu Tso-yi has occupied Techow and is repairing the railway some ten miles southward thereof. Tsinanfu is only lightly covered by Chen Tiao-yuan. The main Shansi forces, in the Shunteh-Taming-Changte area, show little change. Shih Yu-san has occupied Tsaochow. Wan Hsuan-tsai and Sun Tien-ying, pinching out Han Fu-chu, have established contact near Liuho and are facing the government covering forces. These leaders are covering the Kuominchun concentration near Chengchow.

Whereas the Kuominchun is moving rapidly out into Honan, considering its facilities, it is not clear what its movements are beyond Chengchow. Three divisions had reached there by April 5. Hsuchang, south of Chengchow, is reported to have been occupied at about the same time, as Wang Ching-yueh withdrew to the southward. Whether Feng Yu-hsiang intends to operate eastward along the Lunghai or southward on the Kin-Han, it will still require some time for him to complete his concentration in the Chengchow area since his column moves laboriously, with primitive transport, over the one road through Tungkwan Pass. He seems to be avoiding his mistakes of last autumn by making available his full strength before entering combat.

It will require some weeks before Chiang's and Feng's main forces can meet.

3. Political Features of Situation.

The military regime at Taiyuanfu actually came into being during the first week in March when Feng and Yen decided to fight together for their existence. Feng has been a declared rebel since last autumn; Yen became one on about March 3. The formal acceptance of their rebel titles occurred on April 1, on which date Yen as commander-in-chief and Feng and Li Tsung-jen as vice commanders-in-chief of anti-government (anti-Chiang Kai-shek) forces assumed offices.

By way of explanation of their actions, each issued the conventional circular telegram enumerating the "crimes" of Chiang Kai-shek and declared the necessity for eliminating him personally in order to save the party and country. Yen announced the intention of the coalition scrupulously to protect foreigners and, in a note to the respective foreign representatives, requested that moral and material support be withheld from Chiang Kai-shek.

While it has been announced that a new government will not be instituted "at this time", it is evident that should Chiang and his personal coterie continue at Nanking, a separatist government is contemplated. Already Wan Hsuan-tsai has been appointed from Taiyuanfu civil administrator of Honan. Mr. Chu Hao-hsiang has personally presented himself to the legations as the official in charge of foreign relations in the "Military Headquarters" in Peiping. The difficulties arising from the formation of a new government are many. It is believed that Chang Hsueh-liang definitely is opposed to this step and might join Chiang Kai-shek were it taken. Also, while the military coalition has

studiously avoided any open attack upon the Kuomintang, it is generally believed that both Yen and Feng are antipathetic to the Party as the expression of southern political ideas. Their Kuomintang would be a name only, and not in any sense odorous of Canton. Unquestionably, their attack on Chiang Kai-shek is also an attack on the Party, as now constituted, but the continuance of the existing central government, less the governing personnel, is probably desired.

On April 5, the State Council denounced Yen Hsi-shan, dismissed him from all of his offices and ordered his arrest and punishment. The Standing Committee of the C.E.C. on April 7, expelled him "forever from the Party".

As usual in China since the Revolution, some clique of the Kuomintang is muddying the water. Chen Kung-po and others, representing Wang Ching-wei and the left wing, have come north to explore the possibilities of hitching-on to a promising military opposition. The Western Hills clique, equally unpopular in Nanking, represented by Tsou Lu and Hsieh Chih, are likewise seeking an opportunity to get back into action---and jobs. Already these two groups have had a typical, "stormy" meeting in Peiping and the former group has gone to Taiyuanfu. Chen Kung-po is said to be urging the immediate formation of a new government, as did Dr. Sun at Canton in 1921. The bone of contention between the two cliques is which of two central executive committees should be eligible to sit in a suggested provisional central executive committee as the "2nd C.E.C.". Rival party congresses met in 1926 in Canton and Shanghai when each elected a "2nd C.E.C.".

British reports from Hongkong state that Wang Ching-wei is disposing of household property and shows other signs of preparations to come north.

The radical wing of the Kuomintang (and the extreme right wing too) seeking the aid of northern militarists! What will eventuate from this weird turn of the Chinese political wheel nobody can say. It is pretty generally believed that here is an attempt to mix oil and water. However, expediency and opportunism has ever been more characteristic of Chinese politics than principles. Right and left wing cliques of the Kuomintang are seeking to re-enter the places of power, from which they are now effectively barred by Chiang Kai-shek; northern militarists are destined for elimination if Chiang Kai-shek is permitted to carry out his aims. If the common enemy of such antagonistic groups can be destroyed, the next phase can take care of itself. Feng and Yen appreciate the need of out-lawed Kuomintang cliques for the subversive tactics which Wang Ching-wei can stir up in Chiang Kai-shek's rear and in his ranks. Chaos in the Lower Yangtze when the issue is joined is the equivalent of numerous rabble northern divisions. Without it the northern coalition may be lost. This is no time for fine principles.

4. <u>Progress or Destruction.</u>

A period of two weeks obviously is a short bracket in which to arrive at general conclusions as to the progress of evolution, or revolution; in any country. Nevertheless, repeated explorations in fortnightly periods might not be futile if one balances known facts indicating the operation of constructive forces against clearly destructive tendencies. A national track meet, conducted by the Central Government along inter-provincial lines with no little enthusiasm, is a small item to balance against war preparations on a large scale, but in China the track meet may be as significant of reconstruction as the war is of destruction.

Another item which may be regarded optimistically is that Chiang Kai-shek's mysterious trip to Ningpo and Shanghai seems to have netted funds for his war chest. This indicates that the bankers still are betting odds on the government, and renews confidence of the present government in itself. At least the bankers, heavily involved, see fit again to cover their margins.

Opinions differ greatly as to whether further civil war is beneficial or harmful to China. However, the situation has developed to the point where the government at Nanking, as now constituted, must fall or Chiang Kai-shek must administer a severe defeat to the rebellious northern leaders. The whole Kuomintang plan of government is founded upon the centralization of authority. Hence all who hold to the principle of regional authority must be eliminated, and they can be disposed of only by civil war. If the Kuomintang Party is destined to set China right then civil war is a necessary evil; if regional autonomy is the best that can be hoped for during this stage of China's development, the impending civil war results from Chiang Kai-shek's stubbornness, is a destructive tendency, and is another step toward more complete disintegration.

In any event, peace talk has closed and the only news of the period is concerned with war preparations. Chiang Kai-shek must fight or go. No compromises of the government short of the elimination of the President——and with him would go all that constitutes the present government——would satisfy the northern leaders. The only alternative to a major civil war, involving a decision, would be a stalemate about Hsuchow and the formation of a separatist government in the North. Chiang Kai-shek's dispositions and past performances indicate that he is in no frame of mind to avoid a decision. There is some doubt, however, whether the Kuominchun will risk a decisive attack on the ground chosen by Chiang Kai-shek.

5. Journalistic Perspective.

Liberal writers, admirably detached by residence in New York, recently have appeared in print discussing learnedly the broad issues and fundamental causes of China's painful rebirth into a modern nation. The few who know China perform a service by carrying their readers beneath the surface of current Chinese confusion. However, their cynicism directed at "diplomats" and "local journalists" who, as the conventional innuendo goes, dwell on chaos, wars, banditry and such superficial symptoms of the causal disease, marks the writers as exploiters of the popular American prejudice against officials and others who deal in unpleasant truth.

It is all very well for academicians and scientists to restrict their thoughts to a consideration of bacilli but the man who is elbowed in a crowd of infected beggars is concerned essentially with the damaging results of contact with loathsome, open sores. Officials and journalists in China may entertain very sound ideas regarding the causes of China's illness but they are neither responsible for the causes nor are their primary missions the treatment of the causes. Their daily duty is bound up with symptoms——the violent manifestations of wars, banditry and chaos. The official is concerned with keeping American lives and interests as secure as possible from the ravages of civil disorders; the honest journalist must report them. If either of them fails in this, quite properly he should transfer his activities to the headquarters of sentimental societies or the editorial desks of liberal magazines——with an ocean between him and China.

6. Miscellaneous Notes.

The Du Pont representative in Shanghai signed on March 20, a contract with the Government for the sale of 30 tons of T.N.T. and 16½ tons smokeless powder. On March 25, another contract was signed for an additional 70 tons of T.N.T. and 50 tons of smokeless powder.

The representative informed the Consul General at Shanghai that the German military advisers demanded 15% commission on all sales but that he had succeeded in dealing directly with the Chinese, thus paying only 5% squeeze.

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The Government is floating a loan of $24,000,000 for war expenses secured on the tobacco tax. This is the third loan on this security. It is reported that the bonds are being issued at a large discount in order to make them acceptable.

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On April 1, a national track meet conducted under government auspices was opened at Hangchow. A number of notables were present. The competition was held along provincial lines rather than between colleges. Fengtien carried off the provincial honors. Reliable reports are not available to indicate the spontaneity and enthusiasm displayed upon the occasion.

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For reasons unknown, Mo Teh-hui, China's representative at the coming conference in Moscow to settle C.E.R. affairs, has again postponed his departure until "after April 20".

From unofficial sources it is learned that Wellington Koo is busily engaged in discussing Sino-Russian affairs with Mukden officials. Despite the fact that at the end of March there were some 32 delegates in Mukden from the various Chinese factions seeking to enlist Chang Hsueh-liang's assistance, it is said that the Mukden atmosphere is charged largely with Sino-Russian and other purely Manchurian affairs.

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A German industrial mission, consisting of five industrialists and two bankers, reached Canton at the end of March and will arrive in Shanghai about April 10. The Chinese Government has appointed a committee to look after the mission. Visits will be made to various industrial centers, and the "cooperation" of the visitors "will be secured for the improvement and development of various native industries". Kuo Min states that the mission "has been invited to investigate industrial conditions with a view to cooperation in national reconstruction enterprises".

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The Ministry of Communications has ordered the central offices of the Ping-Han Railway to remove from Peiping to Hankow. Actually the Shansi authorities have taken over the office and appointed their own director. Traffic is now open from Peiping to Chengchow. The southern section of the line operates from Hankow to some unknown station in central Honan.

Shansi authorities likewise have declared the central office of the Tsin-Pu Railway to be located in Tientsin. It actually exists at Nanking. This trunk line has been badly damaged north of the Yellow River by Chen Tiao-yuan's soldiers.

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Nanking has recently initiated an active propaganda program to create the impression that Chang Hsueh-liang is actively supporting Chiang Kai-shek. Also, evident rumors are being spread to indicate that jealousy and friction is rife between the factions of the northern coalition.

John Magruder,
Major, Field Artillery (DOL)

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COMMENTS ON CURRENT EVENTS

April 7—20, 1930.

1. General.
2. Military Situation.
3. Student Agitation.
4. Miscellaneous Notes.

RECEIVED G/2 W. D. MAY 22 1930

1. General.

Underground politics are again beginning to obscure a situation which for a month has been relatively a clear-cut military development. The government is resorting to a highly organized campaign of propaganda designed to sow seeds of suspicion among the rebel leaders. It is out seeking allies, especially Chang Hsueh-liang, and is rumored to be making tempting offers to Feng Yu-hsiang, with a view to isolating him from Yen Hsi-shan. Such non-military activities always cloud the issue for observers.

In the rebel camp political difficulties are delaying the military developments. Without money it is impossible to support gray troops which unquestionably are desirous of joining the Northern coalition. Despite government spread rumors, no unusual friction is known to exist between Yen and Feng. It is well known that these men have nothing in common except mistrust and fear of Chiang Kai-shek, but this common danger has in no way been removed. Their greatest known embarrassment comes from the importunities of the Left Wing and Western Hills Kuomintang delegates, now in Taiyuanfu, who are urging the immediate formation of a new government. Without the support of the party opposition, and the trouble they can stir up in Chiang Kai-shek's rear, the Northern Allies are none too strong. The formation of a new government too closely following the suggestions of the party delegates might cause the active opposition of Chang Hsueh-liang. The organization of a new government introduces causes of friction which do not exist in a military alliance.

The government's military concentration in the Suchow-Pengpu area has remained unaltered. A reorganization of forces and increased activity have been observed north of Hankow. This is becoming the critical area. Chiang Kai-shek apparently has decided either to defend Hupeh or to conduct active operations against Feng Yu-hsiang's flank in case the Kuominchun advances toward the Tsin-Pu Railway. The government is voluntarily abandoning the territory north of the Yellow River, and may have decided not to resist in Shantung. A reorganization of forces on this front places Han Fu-chu in command rather than Chen Tiao-yuan. Chiang Kai-shek's own troops are withdrawing to southern Shantung.

The Shansi troops on the Tsin-Pu Railway have advanced without opposition to Yucheng, and others have entered western Shantung. The Kuominchun continues with its concentration in the Chengchow area, where some nine divisions have been identified. Feng has gradually taken over the Kin-Han Railway to the vicinity of Chumatien but has shown no intention of moving eastward. He is covered by Wan Hsuan-tsai at Kweiteh and Sun Tien-ying in northern Anhwei. The latter is reported to have become active in raids toward Pengpu. Laohokow, in the upper Han River Valley, is again in Kuominchun hands. No serious fighting has occurred on any front.

From M/A, China Report No. 7707 April 20, 1930

The generally unsettled condition in the North is reflected in the southern and southwestern provinces, but only rumors are available of the complicated, and possibly important, combinations which might be in process of formation. No important military movements have occurred in the Kwang provinces, although it is generally suspected that Chen Chi-tang, the Cantonese general, tends toward an affiliation with Li Tsung-jen rather than Chiang Kai-shek. This may permit Kwangsi forces to attempt to join their northern allies through Hunan.

Mukden remains neutral in the intra-mural conflict despite the most evident lures offered by the government and the importunities of the other side. If it were possible for the Manchurian leaders themselves to agree on active participation, they would be able to exert a decisive influence upon the immediate issue.

The government superficially appears confident of victory against the rebels. The Chinese generally, however, express assurance that Chiang Kai-shek, by some means, will be eliminated. The experienced government agencies are assiduously putting out propaganda to create discord in the rebel ranks, but the people are utterly cold to the moral issues invoked. Neither side can make an appeal to popular support. Chiang Kai-shek already is discredited, and the rebel policies inspire no hope.

Meanwhile Nanking is the capital of a regional government which enjoys the benefits of important national revenues. Aside from its financial manipulations and military preparations, as a national government, Nanking's activities consist largely in administratige stage play. Until the effective authority of the government is territorially expanded the imposing projects of Nanking are to be accepted for what they are, namely, evidences of academic accomplishment, imagination and yearning of the personnel assembled in the capital.

2. <u>Military Situation.</u>

There is little to add to the foregoing "general" outline except to enlarge slightly upon the military developments(for details see Situation Report No. 7705).

Chiang Kai-shek has designated three major commands. The First Army, under Han Fu-chu, includes Han's own troops and those of Ma Hung-kwei. It apparently has been assigned the mission of stopping or delaying the Shansi advance from the north and northwest at the Yellow River. Chen Tiao-yuan, designated "Reserve Commander", garrisons only southeastern Shantung. It is believed that his authority has been greatly curtailed. The Second Army under Liu Shih constitutes the main government force in the Süchow-Pengpu area. The strong flank detachments in southwestern Shantung (Lincheng-Yenchow-Tsining area) are probably now under Liu Shih's command. The Third Army, under Ho Chen-chun, is based on Hankow and is disposed to protect Hupeh and southern Honan from the Kuominchun. This force consists of some three loyal divisions and eight divisions whose affiliations are uncertain. At present, it has voluntarily withdrawn before the Kuominchun to the general line Chumatien-Nanyang-Siangyang.

The government is displaying renewed activity in the Wuhan area. Ho Ying-chin, the Minister of War, is at present in Hankow. Chiang Kai-shek, who spent two days at Süchow, is planning a longer visit to Hupeh. Unquestionably, certain of the divisions in the Third Army are sympathetic with the Northern Coalition, but Taiyuanfu has no money to support them.

Another concern of Chiang Kai-shek is the fear that Ho Chien, in Honan, will outwardly join the rebels and march on Wuhan. He is generally considered to be awaiting a favorable opportunity to rebel and, at present, shows signs of preparations to move northward.

The increased concern over the interior provinces point to an interesting development. While Chiang Kai-shek is awaiting attack north of Nanking, there are indications that Yen, Feng and Li Tsung-jen tend to join hands in a corridor from Hopei to Kwangsi by pinching out Hupeh. If the alliance has agreed on the future disposition of the Wuhan area, it should not be surprising to see the first serious fighting result from synchronous advances on Hupeh by Ho Chien and the Kuominchun.

That Chiang Kai-shek cannot remain idle while this situation develops is evidenced by recent reports from Nanking that Sun Tien-ying is operating against Pengpu. It is inconceivable that Sun Tien-ying, with his 40,000 near-bandits, should have attempted aggressive tactics against a concentration of Chiang's best troops. The report savors of propaganda, suggesting that the rebels have started the war, preparatory to a possible advance of Chiang Kai-shek westward against the Kuominchun. The withdrawal of Chiang's loyal troops from Shantung would indicate that the serious situation is developing in central China. It is observed, likewise, that the mass of the Shansi troops remain on the Kin-Han Railway rather than having moved against Shantung.

3. <u>Student Agitation.</u>

Recent instances of student agitation, especially in Nanking and Peiping, are indicative of a recrudescence of the employment of students for ulterior political motives. The instigation of student demonstrations may be found entirely traceable to the opposing Chinese political groups, but there are also suspicious evidences that communist agitators are taking advantage of the disturbed internal conditions to renew their activities in the schools. At least a favorable atmosphere is being created by the Chinese leaders themselves in which it is reasonable to expect extreme radicals to operate.

Attention is invited to our Report No. 7691, "Banditry and Communist Disorders", in which a warning was sounded regarding the possible revival of organized communist effort in China.

On April 5, several hundred students demonstrated in front of the British Consulate in Nanking as a protest against "British Imperialism" in connection with a strike of laborers in the International Export Company. The students also clashed with the police on the bund while engaged in demonstrating against the visit of the Japanese Destroyer Flotilla. False reports were circulated among the students that British marines had killed six workers. The authorities finally succeeded in putting down the disorders without any serious incidents.

Chiang Kai-shek took a bold stand and asserted that "reactionary elements in the capital and communists egged on the students with the object of discrediting the National Government".

A sequel to the incident was the closing of the Rural Normal College just outside of Nanking. A raid was made upon the school, arms were seized and the authorities intimated that the Principal, Mr. Tao Chih-heng, was in secret communication with Feng Yu-hsiang. There is little doubt that the students were influenced by agitators who were in the pay of some faction of the opposition to the government.

Either as a reprisal for the foregoing incidents or in keeping with the customary Chinese tactics, on April 20, in Peiping, students from the Peking National University demonstrated at a native Christian church in Hatamen Street. Police broke up the meeting and arrested a number of the students. Further attempts to organize trouble have been made and more individual agitators have been rounded up. Several versions are current as to the object of the demonstration. Some say it was a celebration of the achievements of communist troops in Kiangsi and other reports state that it was an anti-Christian manifestation. The local Chinese papers were not permitted to mention the incident.

Mr. Chu Ao-hsiang, Yen Hsi-shan's foreign affairs representative, assures me that the whole affair was stirred up by Nanking's agents to embarrass the local government. He admits that the Nanking student demonstrations, similarly, were created by the anti-Chiang Kai-shek factions. He denies that there is any communistic element in these demonstrations as yet, but he agrees that the disorders furnish an opportunity for communist agents to insinuate their activities.

4. Miscellaneous Notes.

Sino-Russian Affairs. It is now announced that Mo Teh-hui and party will leave Harbin on May 1, in order to attend the conference in Moscow opening May 15. The Chinese officials state that the Russians have withdrawn the demand that other than C. E. R. matters be discussed at the coming conference.

Offending Mayor Relieved. The tyrannical measures incident to the building of the Chungshan road in Nanking were sharply recalled, and even repeated, upon the occasion of the recent visit of the Crown Prince of Denmark. Mayor Liu Chi-men summarily ordered destroyed a great number of shacks which had been built in the open spaces along the Chungshan road in order to improve appearances for the Prince. Many people were made homeless. The physical evidences of poverty were removed by the exercise of undisguised brutality, and a storm of protest arose. Chiang Kai-shek considered it expedient to remove the Mayor but, as an indication that the latter had not acted on his own authority, he was appointed superintendent of customs at the capital.

The Rendition of Weihaiwai. The agreement for the rendition of Weihaiwei was signed on April 18, by Sir Miles Lampson and Mr. C. T. Wang. This marks the end of negotiations which were first instituted by the old Peking Government in 1924. Nanking has agreed to the retention by the British navy of a summer station for a period of ten years, which privilege Mr. Koo's delegates refused to concede.

Fortunately for Mr. Koo, he found asylum there in 1928 when proscribed by the Nanking regime.

Conferences at Capital. An education conference under the auspices of the Minister of Education took place in early April. On April 15, a conference of government officials regarding capital reconstruction was convened. A reconstruction loan of $30,000,000 was suggested but nothing concrete was decided upon. Mr. Kung, Minister of Interior, offered his typically imposing list of wholly impracticable projects.

Taiyuanfu Casts About for Foreign Affairs Officials. The Chinese press reports, and speculates upon, the efforts of the opposition regime to select a suitable man to handle its foreign affairs. At present Messrs. Chu Ao-hsiang and Y. L. Tong semi-officially represent Yen and

Feng, respectively, in this capacity. Wellington Koo and W. W. Yen have been mentioned, but these are too timid for such uncertain ventures. Mr. C. C. Wu is said to be too closely affiliated with Hu Han-min to be available. Quo Tai-chi, a disaffected ex-Vice Minister of Foreign Affairs, is reported to be working closely with Wang Ching-wei and might be considered an aspirant for the questionable honors.

Anti-Chiang Kai-shek Demonstrations. A series of anti-Chiang Kai-shek demonstrations have been arranged in the northern cities. The northern Chinese heartily dislike the President and desire the capital returned to "Peking", but no enthusiasm can be stirred up among disillusioned people either for the celebration or denunciation of politicians and their games.

In Peiping on April 19, a spiritless crowd of workmen and students, enjoying holiday by order, observed the speech-making antics of out-of-job young party orators. 50,000 was stated as the size of the crowd demonstrating against the "Enemy of China"! The same exaggerated figure was mentioned two years ago as celebrating the occupation of Peking by the Nationalists. I mingled in both crowds and they were identical. On the tribune in both instances was dramatics; in the crowd was utter indifference. Only the sellers of refreshments evidenced motives which were real.

German Industrial Mission. The visiting German industrialists, previously mentioned, arrived in Nanking from Shanghai on April 14. They were reported by Kuo Min to be "guests of the Government". "Conferences have been arranged with the government leaders when industrial conditions and prospects will be discussed with a view to future Sino-German co-operation."

John Magruder
John Magruder
Major, Field Artillery

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COMMENTS ON CURRENT EVENTS

April 21—May 4, 1930

RECEIVED G/2 W. D. JUN 6 - 1930

1. General.
2. The Military Situation.
3. Political Developments.
4. Above the Battle.
5. The North Detains National Revenues.
6. Miscellaneous Notes.
7. Addenda (Later Information).

1. General.

The slowly approaching crisis is less accentuated by discernible military developments than by political moves which diminish the probability of peaceful compromises between the government and its opponents. Instructions were given by Yen Hsi-shan to the Superintendent of Customs at Tientsin that after April 30, no customs revenues, above the 5% tariff considered necessary to cover foreign indebtedness, should be remitted to Nanking. Salt revenues of every sort were also ordered withheld. This action strikes directly at the most vulnerable part of Nanking's structure, since the Central Government exists principally by virtue of its ability to control national revenues.

Another bridge was burnt on May 2, when the local foreign affairs representative of Yen Hsi-shan issued a declaration to the press stating that a new "legal" government is in process of formation and is soon to be established in Peiping. The declaration was accompanied by such severe attacks upon the Nanking government as to leave no chance of a reconciliation. Wang Ching-wei is being urged to come to Peiping.

The propaganda war is so active on both sides that no confidence can be placed in reports emanating from Taiyuanfu or Nanking. Neither side seems sufficiently confident to press for a military decision. Chiang Kai-shek banks on a split between Feng and Yen, while the rebel leaders expect Chiang's walls to crumble before tactics which proved so devastating at Jericho. Throughout the wearisome and costly preliminaries the people of China are utterly cold to an issue which offers them little hope however decided. Meanwhile banditry and communistic efforts everywhere increase.

In the midst of the confusion resulting from propaganda, intrigue and the lack of means for adequate preparation in the rebel forces, there are signs of greater military activity, as if the fighting could not be long deferred. Considering the lack of cohesion and preparedness among the rebels, it is puzzling to know why Chiang Kai-shek has not assumed the offensive. One can only infer that invisible weaknesses exist in his own camp. T. V. Soong privately intimates, for reasons not divulged, that he is withholding finances to prevent an offensive. This may or may not be true. The government, however, must soon take measures to forestall the gradual whittling away of territory and resources, or it will fall by attrition.

Chiang Kai-shek visited Hupeh and southern Honan April 24-27, and disbursed liberal sums to the gray troops in that area. This has resulted in increased military activity and in a tightening of his defenses there. The Northern claims that certain leaders in the Wuhan

area will turn over at the proper time, without a fight, have not been realised. Considerable changes have been discovered in the general location of troops since the last Comments. Advances among the government troops both in the Suchow-Pengpu area and in southern Honan presage closer contact in the advanced zone.

Feng Yu-hsiang, operating as commander-in-chief of rebel forces, proceeded to Changteh (Honan-Hopei border) on May 1, for a conference with Yen Hsi-shan. It is intimated that important military movements will result from this conference. The Kuominchun objectives are still not known, but a large Shansi force has moved to the Lunghai Railway, several divisions of which have been reported east of the Kaifeng area. Both government and rebel reinforcements now appear to be converging on the general front Tangshan-Taiho (Anhui).

Due to very stringent measures taken by the authorities in all the industrial cities, May day passed without any serious disorders. Extraordinary precautions were taken by Chinese and foreign officials in Shanghai.

Mo Teh-hui and party of twenty left Harbin on May 1st en route to Moscow to attend the Sino-Russian conference scheduled to convene there on May 15.

The most contradictory reports from Kwangtung and Kwangsi continue to obscure that situation. With the information available, it is useless to seek the underlying meaning of the inter-provincial quarrel or to estimate its importance as a factor in the Northern crisis.

2. <u>The Military Situation</u>.

<u>Government</u>. As mentioned in the last Comments, the critical area seemed to have shifted to Hupeh and southern Honan. Here Ho Chen-chun is in command of troops at the front(Third Army) and Ho Ying-chin, Minister of War and Chief of Staff, is in general control of the area. Chiang Kai-shek himself arrived in Hankow on April 24. After numerous conferences, he proceeded to southern Honan for negotiations with such gray commanders as Yang Hu-chen, Wang Chin-yueh and Hsu Yuan-chuan. The demands made on him for money were so great that it is reported he found it necessary to send a gunboat to Nanking for additional funds. Northern adherents still claim that the gray commanders, while continuing to accept government funds, will join the rebel cause at the proper time.

Chiang Kai-shek left Hankow on April 28, after numerous conferences with his various subordinates. It is pertinent that Ho Chien of Hunan came to Hankow, which action indicates that his disloyalty has been exaggerated. There have been no developments south of the Yangtze indicating that Yen and Feng can expect active assistance from that quarter.

The government now holds the general line Weihsien-Yencheng (Shantung)-Tsining-Taiho-Yencheng (Honan)-Nanyang-Siangyang.

No change has been reported in the government's main concentration (Second Army) except that reinforcements and supplies continue to be sent there. If the government troops pass to the offensive, the main effort may be expected from Liu Shih's army. Han Fu-chu (First

Army) holds the line of the Yellow River against Fu Tso-yi and faces Liu Chen-nien in the Weihsien area. Political turnovers are frequently predicted in Shantung, but Chiang Kai-shek has disposed his loyal forces southward of the dubious allies as though prepared to sacrifice the province if necessary.

The defense of Tsingtao has been conceded to Admiral Shen Hung-leh, a Mukden adherent. It is generally believed that this port has been made the plum over which Nanking hopes to create fiction between Mukden and any Northern leader who might occupy Shantung.

Northern Allies. Yen Hsi-shan lays stress upon the division of powers in the proposed government. Where Chiang Kai-shek is declared a dictator who monopolizes the civil, military and party powers, these will be, or have been, in the new regime assigned to Yen Hsi-shan, Feng Yu-hsiang and Wang Ching-wei respectively. This arrangement is supposed to create checks preventing undue power in the hands of one man.

Feng appears actually to be functioning as the commander-in-chief. His own Kuominchun, the state of whose training and equipment is little known, is being held as a unit in the Chengchow-Loyang-Linying area. His detachment in northwest Hupeh is now believed to be very weak. No reports of any forward movement have been received. So long as Ho Chen-chun's Third Army of twelve or more divisions remains loyal, Feng cannot move eastward without serious exposure to his south flank. If he operates in force toward Wuhan, not only does he separate his force dangerously from Yen Hsi-shan, but politically might further consolidate the gray leaders, now occupying southern Honan and Hupeh, against him. The failure to secure the allegiance of these leaders has apparently caused Feng great embarrassment.

Feng's covering forces, commanded by Sun Tien-ying and Wan Hsuan-tsai, have been reinforced by nine Shansi divisions which are moving eastward on the Lunghai Railway. These divisions constitute not only additional security but a good-faith contribution to the common cause. Shih Yu-san seems to be moving forward in strength into the Tsaochow-Kuyeh area. A great mass of troops block any westward advance of Liu Shih but they are generally a mediocre lot of divisions.

The Shansi forces on the Tsin-Pu Railway have occupied Shantung north of the Yellow River without resistance. A large concentration of Shansi troops has been effected in northwest Shantung.

It is still impossible to forecast the nature and location of fighting to be expected. In the North there remains the hope, born of the wish, that Chiang Kai-shek will retire in the face of so formidable a threat. In isolating Chiang personally as the cause of all the trouble, a powerful political weapon is employed. The Chinese people are prone to say, regardless of facts and principles, "If he is the irritant, why should he not retire?" But Chiang is not an old-style Chinese.

The civilian leaders at Nanking, on the other hand, are convinced that, given time, the Northern Allies will quarrel among themselves. Thus both sides are loath to join the issue and both will employ every possible political expedient before initiating serious fighting.

3. Political Developments.

Few tangible accomplishments have emerged from the negotiations in Taiyuanfu among the heterogeneous politicians conspiring there. On April 23, Mr. Chu Ao-hsiang announced the establishment of a "Department of Foreign Affairs of the Headquarters of the Land, Sea and Air Forces of China" at Peiping, with himself as the Chief. The organization follows the lines of the Foreign Office at Nanking but the names of no important persons are included in its personnel. (For report of interview with Mr. Chu, see No. 7708.)

On May 2, Mr. Chu gave an interview to the press and issued a prepared statement (Report No. 7721) of which the following is the most pertinent feature:

> "Marshal Yen rejects the idea of a military or provisional government. He desires a new legal and stable government in order to meet the wishes of the people. Marshal Yen has decided, and this decision has been approved by the party leaders, that a legal government must be organized and established in Peking on a solid basis and that all necessary formal procedures will be observed in its organization. They are now all working to that end."

Mr. Chu told the journalists that the new government would be formed very soon——"probably this month". His prepared statement justifies Yen's action in detaining customs and salt revenues, and then attacks the government, especially for its faulty handling of the C.E.R. dispute, its Sino-Japanese Tariff Agreement, and its failure to prevent bandit disorders in its territory. He charges that Nanking deliberately precipitated the C.E.R. crisis as a step in the plot to extend its authority in Manchuria.

Nothing is known of the details of the negotiations between party delegates and Yen preparatory to the formation of the new government. A surprising absence of friction, however, has been observed thus far. The present harmony can be attributed only to the common desire to get rid of Chiang Kai-shek. If this aim should be attained and the organization of the government undertaken, sparks aplenty would fly from efforts to gear up the conflicting ideas and aspirations of right wing and left wing Kuomintang with those of northern militarists.

It is believed that there is little probability of the formation of a new government unless the Northern Allies win decisive victories over Chiang Kai-shek. Wang Ching-wei has shown an ominous disinclination to come to the North. Only party scouts have reconnoitered the political possibilities at Taiyuanfu, and it is suspected that the atmosphere of Northern military headquarters was not encouraging to the Kuomintang advance agents. If Chiang Kai-shek's military machine should show signs of failing, undoubtedly there would be an enthusiastic migration northward of Kuomintang members.

The continued large-scale expenditures on avaricious gray commanders and active military preparations constitute Nanking's answer to the rebels. Propaganda has been actively employed but only such as is designed to show up the weakness of the movement. Every manner of inducement has been offered Mukden to declare for the government but no active assistance, moral or material, has as yet been forthcoming. Wang Chia-tseng, a private secretary of Chang Hsueh-liang, accepted the post of vice-minister of foreign affairs in Nanking, but another Mukden man appointed vice-minister of health declined the post "due to illness".

Doubtless the obscurity of the situation in the Kwang provinces is largely due to the active efforts of Nanking in conceding any compromises to the Canton leaders to prevent their open disaffection. The predicted break between the government and Chen Chi-tang has not materialised. Latest reports from Wuchow state that a Cantonese offensive against Kweihsien is about to be launched.

4. Above the Battle.

In its broadest aspects, the present crisis in China results from a natural swing of Chinese opinion from the experience of impatient, enforced modernization and westernization, as exemplified by Nanking, to a more steady, if somewhat reactionary, pace of progress as advocated and practiced by men of the type of Yen Hsi-shan. With all of his faulty conceptions of economics and science, Yen Hsi-shan interprets Chinese mass thought and aspirations more accurately than do Chiang Kai-shek and his Kuomintang followers. The latter grasp the significance of the dynamic western civilization, and the inevitability of its momentum, more intelligently than can the older type of Chinese leader, but they have failed in their self-assumed function of diminishing the friction where the West presses mercilessly upon the outworn social and economic order of old China. According to Chinese standards, the men of Nanking are too nearly like foreigners; in their enthusiasm for imitation and change they fail to appreciate all the difficulties imposed by the inertia of China. Because of the breathless pace they have tried to lead they have alienated any mandate they may have had from the majority of Chinese.

The people, dizzy with change, are blindly seeking normalcy again——as did America following the war. Confused and disillusioned, they express no hope of permanent benefit from Yen Hsi-shan and Feng Yu-hsiang. But nothing could be worse than present conditions——it might be better to turn backward. Certainly a breathing space of reaction is generally desired. Even intelligent Chinese who appreciate that the relentless, scientific civilization from the West ultimately is destined to disrupt the whole social and economic order of China, are anxious that the process be slowed up as much as possible.

If it transpire that the power should pass from the hands of those who have created wreckage by hasty trial and error adventures in politics and economics to more backward leaders with a sounder appreciation of the limitations of men and resources involved, it does not follow that China is to be pitied. The Kuomintang may have served its purpose in the political progress of China.

On the other hand, the test seems to be approaching in which it may be demonstrated that a modern group, using modern weapons of war, may have assimilated enough of the scientific civilization to survive against the odds of numbers and inertia.

5. The North Detains National Revenues.

Instructions were given by Yen Hsi-shan to the Superintendent of Customs (Chinese) at Tientsin on April 29, that on and after May 1, 1930, all customs receipts in excess of 5% would be detained subject to the order of the Northern regime. The foreign loans and indemnities were

secured on the old tariff of 5%, and the funds accruing from this tariff will not be interfered with. Salt revenues also collected in Northern territory, less the quota necessary to serve foreign loans, are being seized.

The Peking Leader estimates $3,000,000 local currency per month to be the amount affected by this measure. In view of the difficult financial situation of the Nanking Government, the seizure of these revenues constitutes not only a severe financial blow, but may have far reaching political consequences as well. The effect on the Shanghai bankers is not yet disclosed, but it is known that the Northern leaders had in mind the discouragement of further financing of Chiang Kai-shek by the bankers, as well as the securing of revenues for themselves.

Mr. T. V. Soong has issued a statement denouncing the measure and claiming that the 5% is not a sufficient quota to serve the foreign loans and indemnities. By inmuendo, Mr. Soong hopes for foreign pressure to prevent the dangerous precedent of interfering with the Customs. He says that the government cannot hesitate to proceed against those attempting it. In view of existing customs autonomy, and all the arguments advanced therefor, the central authorities cannot logically seek foreign assistance in the maintenance of the integrity of the customs, nor can foreign powers consistently interfere in the matter.

6. Miscellaneous Notes.

Relief of Japanese Troops in North China. Tokyo announces that the present garrison of five companies in North China will be relieved in June by two companies of the 1st Division and three companies from the 6th Division.

Chinese Officers Study in Japan. Kuo Min News Agency announces the following on April 26:

> "By arrangement with the Japanese Government, the Ministry of War, the Inspectorate-General of Military Training and the Central Military Academy are jointly sending thirty high officers, who are graduates of military academies, on Government scholarships to Japan to pursue advanced studies in Infantry, Cavalry, Artillery and other branches of military science. The scholarships will be for one year, and upon the return of these officers they will be employed as instructors in the Government military academies."

British Boxer Indemnity Refund. On or about April 25, a draft agreement was initialled in Nanking providing for the disposal of the British Boxer Indemnity Refund amounting to approximately $53,600,000 local currency. The refund is to be used to promote cultural cooperation in education, and railway reconstruction.

Peking Leader Policy Changes. The Peking Leader was purchased from its private owners about six months ago by members of the Nanking government. While operating as a propaganda organ, its editorial and news policy was kept remarkably non-partisan by its American Managing Editor, Mr. Hunter.

About the first of April, the Shansi officials confiscated the Leader. Mr. Hunter refused to operate it as an anti-government propaganda organ and was discharged. It was announced in the issue of April 25, that Mr. Lenox-Simpson (Putnam Weale) had taken over its editorial

management. Since then it has become an out and out organ of the Northern Allies. It may now be considered that its editorials and news are wholly partisan. "The Week in China" summary will doubtless reflect the same attitude.

7. Addenda (later Information).

After the completion of the foregoing report, specific bits of information came to hand showing that active military preparations have secretly been in progress which give a clearer indication of the nature of the impending conflict.

All hope of turnovers among the gray troops in the Third Army (Ho Chen-chun), by which it had been expected Northern influence might spread to the Wuhan area without fighting, seems to have been dispelled by Chiang Kai-shek's personal visit and disbursements. Since then the main body of the Third Army (all or parts of eight divisions) have concentrated on the Kin-Han Railway between Sinyang and Yenchow and are hastily preparing for operations against the Kwominchun. This probably constitutes Chiang Kai-shek's secondary effort in his coming offensive. Foreign consuls have been requested to withdraw their nationals from the interior in view of the necessity of concentrating government troops for offensive operations.

Chiang Kai-shek is preparing to leave Nanking for Süchow (Tsin-Pu Railway), and government officials intimate that their forces are abandoning the defensive for a drive along the Lunghai Railway, to take place at an early date. This is believed to be Chiang's main effort. According to these reports severe fighting may soon be expected.

Nanking officials continue to assert that the Manchurian forces will attack the Shansi rear at an opportune time, but no independent sources confirm this.

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Major, Field Artillery (DOL)

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COMMENTS ON CURRENT EVENTS

May 5 — 18, 1930.

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1. General.
2. The Military and Political Situation.
3. The Aftermath of the Present Struggle.
4. Communism.
5. Miscellaneous Notes.

1. General.

The military and political situations though fraught with possibilities, are particularly obscure because of the propaganda emanating from both headquarters and from the fact that there are no foreigners in the strategic areas from whom the truth may be drawn. Chiang Kai-shek is adverse, as are his German advisers, to permitting foreign observers even on his lines of communication. The North has apparently abandoned the idea of attaching the Wuhan area as well as Shantung. Both North and South are confident of success; the South basing its hopes on equipment and training, and the North on a superiority of man power in a ratio of about six to four. During the past two weeks the government has advanced slowly up the Peiping-Hankow Railroad and has reached Yencheng, while the steady pressure from the East along the Lunghai promises to threaten Kweiteh. As a crow flies the front lines extend for some 425 miles and some 600,000 malcontents face some 400,000 government troops along it.

Whether the North wins or the South, there is no prospect of peace for China or succor for the people. The vast armies called to arms are incapable of absorption by an economic system so elementary as China's. No ideals are being fought for on either side, and while Chiang's program of "pacification by force" may have a wholesome ring to the Westerner, it sounds flat and alien to a race which has always enthroned compromise. To the Chinese the war is one for personal aggrandizement.

Communism, being a plant which thrives on chaos and grows best unwatched, is claiming more territory and more converts each day. It may alone prove a thorn in Chiang's side during the present conflict, but it will eventually sap the strength of the victor, whoever he may be.

2. The Military and Political Situation.

The present conflict between the Government and the North is anything but clear cut. The general issue is fogged by a cloud of intrigue and political manoeuvre, while playing hand-maid to financial realities. The Kuominchun has made another of its famous marches, part of it from the borderland of Tibet in Kansu to Chengchow in Honan, where Yen Hsi-shan has re-equipped and fed the travel stained and undernourished soldiery. General attack orders have been issued from all headquarters, but so far no more than desultory fighting has resulted.

The Government is apparently moving very slowly northwards, assisted by its new Corsairs from America and its dozen new Whippet tanks from Great Britain. The Fabian policy has been adopted from the knowledge that the North has but little money in its coffers, and with the hope that discord will eventuate in the ranks of the rebels. While

Yen Hsi-shan has been deprived of all posts and pilloried as a rebel, no mention is made of Feng Yu-hsiang in governmental manifestoes. Handbills are being dropped by Southern planes among Northern troops announcing that any rebel officer who rejoins the Government forces with his entire command will be promoted one grade and a cash reward will be granted to each individual soldier. Ho Chen-chen has established his headquarters in Chumatien and holds as far north as Linying. In the east, Pochow has been captured by Chiang's forces. The Government front line runs roughly from Yencheng just north of the Yellow River, south through Yencheng, Kinsiang to Pochow; west through Linyang to Hanyang, and southwest to Nanchang (all inclusive).

Of the twelve Corsair planes with which Nanking started but nine are left. One had a forced landing in enemy territory and was seized by Feng; one was shot down; and one crashed. Chinese mechanical skill is not equal to the task of keeping such planes in condition, nor are Chinese aviators at present sufficiently well trained to fly such ships effectively. Bombing operations have been carried on in Chengchow, but the planes flying at a 5,000 or 6,000 ft. elevation did no military damage and only have succeeded in making poorer some of the poorest peasantry in the world.

Nanking's forces in advancing slowly are being kept well in hand and are waiting for the North to make a blunder. This blunder is bound to come for it would be impossible to imagine a more heterogeneous group of soldiery or more disunity of command. True, Feng, the Christian General, is nominal head of all anti-government troops, but with the exception of the Kuominchun he cannot expect under any but circumstances extremely favorable to the North obedience from such generals as Wan Hsuan-tsai, Sun Tien-ying or Sun Ch'u. They are fair weather followers, and in an emergency would seek their own safety first.

On May 11, Shansi headquarters in Peiping announced the destruction of a Nanking division in the Suchow area. No confirmation of this report has reached Peiping and it is regarded at least as greatly exaggerated.

Under the urgency of a rapidly diminishing war chest, with only about $4,000,000 a month available for military expenditures, it is impossible to understand why Feng does not make a general attack, and his failure to do so may be taken as a sign of weakness.

Chiang Kai-shek's inspection of the Honan front, reported in the last Comments, was instrumental in strengthening the loyalty of Hsia Tou-yin and Hsu Yuan-chuan, who were being tampered with by the North. Each was given $300,000 and now the most that Yen's representatives claim is that they will remain neutral in the present fray. That these two generals still have some understanding with the North is thought by some to be the reason that Feng has apparently abandoned, temporarily at least, any idea of an attack in the direction of Wuhan.

In Shantung what a month ago appeared to be a clear cut military situation has developed many oriental facets. Shih Yu-san has been appointed governor by Yen and Feng, and the subjugation of the province has been left to him. The Shansi forces north of the Yellow River have entrenched and show no signs of pushing southward, at least a division having been withdrawn northwards. The local magistrates, all appointees of Chen Tiao-yuan, continue in office and in collecting taxes, the only restraint placed upon them being in the disposition of the taxes which now go to Yen.

Shih Yu-san can not be expected to fight Han Fu-chu or Ma Hung-kwei, nor can they be expected to fight him. Chen Tiao-yuan has been shorn of much military power, and Liu Chen-nien, Shantung's political barometer, has for the time being cast in his lot with the Government. Therefore a stalemate exists in Shantung only to be relieved by a decision in another quarter.

From the unwillingness of the combatants to come to grips, in face of insufficient funds for prolonged warfare and of the approaching rainy season, it seems more and more likely that a compromise isbeing sought.

In the South a half-hearted warfare without apparent result is being maintained between the Cantonese and the rebels in Kwangsi. Each contender has one eye on the Northern situation which in the event of a decision will be accepted pro tem in the two Kwangs. There the troops are more war weary even than in the North and Chen Chi-tang, the Cantonese general, recently denounced in round terms their unwillingness to fight.

Great significance may be attached to the visit of Sun Chuan-fang, formerly super-Tuchun of Kiangsu, Chekiang, Anhui, Fukien and Kiangsi, to Feng and Yen during the middle of the month. While having no command at present many troops now drawing Nanking pay were formerly under his colors. He is generally regarded as a capable administrator and soldier. While the North has indicated that he would give his loyal and active support to the rebel cause this is as yet not certain, since as Mukden's protégé he is inclined to be circumspect. Should he do so, however, it would indicate Mukden's leanings.

3. <u>The Aftermath of the Present Struggle</u>.

During the turmoil of the Great War, officers, men and the great civilian populations involved were buoyed up with the grandeur of ideals, and with the hope that because of their efforts following generations might be able to lead happier lives. Whether one was "saving the world for democracy" or the other "saving the Fatherland", the ideal was there, and it was not until war had ceased that disillusionment came.

In our great civil war both the North and the South were fighting for an abstract idea which made suffering and hardship easier to endure for civilian and soldier alike.

But what of the present war in China? What ideals are involved, what hopes of the future cherished? There is no one not intimately connected with a contending war lord who sees anything to be gained in the struggle. It is not a war of ideals or for an abstract idea, but of the earth-earthy. A war for power, for money which can be put in the bank. The non-partisan Chinese sees and sees justly a weaker China, a poorer China, a more chaotic China, no matter who wins. The neutral Chinese does not admit that Chiang Kai-shek's regime is one whit worse than Feng's or Yen's would be. He sees a war being waged with public funds for private ends. He sees China's oversize armies growing even larger and their disbandment even more remote. He sees himself over-taxed and the taxes growing heavier.

In the event that Nanking defeats the North, what then? Certainly a smaller area under Nanking's control than a year ago. Perhaps governmental control reaching north to the Yellow River——but not beyond, for this war demonstrates that while the South may have the machines the

North has the men, and these men are not to be ruled from Nanking. Taxes would be higher, the armies as large or larger than ever, hatred more intense and seeds of other struggles sown.

If the North wins China's condition would probably be worse than that pictured above. The Peking government could not impose its will on China south of the Yangtze, and probably two separate governments would eventuate. These rival camps would be constantly at one another's throats---armies would grow, taxes would increase, the misery of the peasantry deepen.

To the average Chinaman as well as to the observer, the needle of China's destiny swings more and more towards chaos. The Russian bear stands to win far more by passivity in Moscow than he ever did by invading Manchuria. For the seeds of communism flourish in fields prepared by extortion, destruction and the misery of the people.

4. Communism.

A glance at the war map of China proper will show huge concentrations of troops in three areas; along the Tientsin-Pukow Railway, the Peking-Hankow Railway and around the West and North Rivers in the South. The interior has been milked dry of troops and left to the mercy of communism and to banditry which often goes by the same name. Reports indicate two-thirds to three-quarters of Kiangsi in the hands of communists; the American Consul at Swatow states that of the twenty magisterial districts in his area five are now in the hands of the Reds who are forty miles southwest of Swatow. Northern Fukien and Northern Kwantung are over-run. The town of Simakow, forty miles above Hankow, has fallen to the communists while the city of Hanchwan across the river is being besieged by 3,000 Reds. A Chinese report from Aocheng, a district in Hopei, states that "The communists have finally established their headquarters here. They have organized a regular Red Army and Cheka methods are employed to enforce Bolshevik doctrines. The entire population of the district is being compelled to become communist and those who dare to defy their orders are tortured to death in a most brutal manner. Landlords were caught and had their faces painted black and were then butchered in the streets after being paraded.... The movement is well organized and the Bolshevik leaders are ruling the district with an iron hand. Landlords were shot like dogs and their wives in some cases actually boiled in oil after they were made to surrender all their wealth". While confirmation of this particular report is impossible to obtain, it is by no means more lurid than other accounts which frequently appear in the local press.

As stated in Report No. 7729, these communists are frequently just and kind to the peasants, and in many districts and in practically all of Kiangsi which is under their control, are acclaimed as saviours of the poor. And therein lies the largest menace.

The forces of Sun Yat-sen under the leadership of Borodin were communistic until they had obtained their objectives and had leisure to observe the wealth that their ardour won. The reaction then set in, and from the desire to divide and despoil property they came by easy stages to the complacency of reactionism.

Now down in Kiangsi is beginning a new impulse. That it will leave the provincial boundaries and invade the rest of China is uncertain. It may waste itself on internal strife and never threaten the outside world, but it should be remembered that those in control are

true Bolsheviks. They are imbued with the idea of communism, and ideas have never been confined even within prison walls. On every hand one sees scenes and conditions analegous to France before the Reign of Terror and Russia before 1917; the people are being ground under heel. Chinese history, the Chinese temperament, the Chinese social structure are not amicable to bolshevism but are to communism. The Chinese temperament is not the volatile neurosis of the Russian, but it can take fire even as it did in the Taiping rebellion. What might interest the chancelleries of the world now, in addition to questions as to whether Chiang will win, or foreign debts be paid, or legations moved to Nanking, is the question as to whether the millions of China will imbibe and propagate the ideas of Lenin and Trotsky.

5. Miscellaneous Notes.

Shanghai Council Seats. On April 17, disregarding the earnest recommendations of the Municipal Council, the rate-payers of the International Settlement of Shanghai, at their annual meeting, rejected overwhelmingly a measure designed to increase the Chinese representation in the Council from three to five. Repercussions of this action were heard up and down the China coast and the thought was widespread that the "Shanghai mind" had triumphed over a majority opinion, which was in favor of improving relationships between the Chinese and the foreigner. The onus for the vote was laid at Japanese doors, since the Japanese have the majority of rate-payers and voted unanimously against the measure.

The reaction caused by this vote was evidenced by a special meeting of rate-payers called on May 2nd at which, for the first time in many years, more than a quorum of voters were present. This meeting overwhelmingly repudiated the action at the annual meeting and voted for an increase of Chinese membership from three to five. From the speeches made in support of the motion to increase the Chinese membership, it was plain the conservative Shanghai of three years ago is not the conservative Shanghai of today. At that time no support could be found for an increase of Chinese representation but it has been borne in on Shanghai that conservatism, whether Chinese or foreign, has the same ends in view, and that by increasing conservative Chinese representation on the Council the danger of Nationalistic Chinese aggression is lessened.

Treaties. On May 13, the Legislative Yuan ratified the Sino-Japanese tariff treaty after vindicating its dignity at the expense of Dr. C. T. Wang. C. T. Wang had signed the treaty in the previous week. In it was the clause, "This agreement shall enter into force on the tenth day following the date of signature thereof". The treaty thus contained no provision for ratification by the Legislative Yuan, who were highly incensed at the omission.

Count de Martel and Dr. C. T. Wang signed the Sino-French Indo-China commercial treaty, which had been a bone of contention for the past six years, on May 16th. This was probably Count de Martel's last important official act since he is leaving shortly for Tokyo as Ambassador.

Wu Pei-fu. Periodically, along the China coast and up and down the Yangtze wherever men congregate to discuss Chinese politics, one hears that Wu Pei-fu is "coming back". Some months ago posters to that effect were distributed in Peiping. Now one sees the rumor in the press and hears it from every mouth. For Wu Pei-fu, standing for the litterati of ancient China, is still a name to conjure with. His personal troops are negligible, but scattered all over China are soldiers

and officers who have served under him and who give him a potential power. Coupled to this potentiality is the friendship of the conservative, scholarly element in China whose voice still is to be reckoned with.

According to recent reports he is again on the move with a small nucleus of Szechuan troops. Chiang has, according to these reports, asked him for help, and Yen has sought his aid as a possible foil to Feng.

These reports are so persistent, though incapable of verification, that they are mentioned for what they may be worth. They at least provide food for speculation.

Yen's Search For Silver. Marshal Yen's attempt to seize the customs receipts in Tientsin, as reported in the last Comments, has been blocked for the time being by placing the funds in a foreign bank. While more than the 5% Yen was willing to remit to Nanking for foreign obligations has been hypothecated, the foreign powers, in view of customs autonomy, have not censured Yen's action.

As these Comments are being written, Yen is issuing $6,000,000 in five dollar, one dollar and ten cent notes throughout the provinces under his control, with the assurance that they will be redeemed upon the inauguration of his "National" bank. According to mandate they must not be discounted and are to be accepted as legal tender by all merchants and tax organs.

On May 18, Yen Hsi-shan's representative called on the Peiping Postal Commissioner to inform him that Yen was going to take over the postal service in the territory under his control. The Postal Commissioner pointed out that it might be a dangerous expedient since $2,000,000 had been deposited in the postal savings department, of which only $500,000 was on hand, the balance being invested in Shanghai. He stated further that in all likelihood a "run" and panic would follow Yen's assumption of control.

Yen's representative admitted this danger, but said that since Yen had made up his mind, he would not endanger himself by reporting on the possibilities of a panic, since Yen might consider him an obstructionist. This is thought to be typical of much of the service Yen's followers give him.

Plea For Peace. On May 16, Mr. Chang Ching-kiang, one of the old guard of the Kuomintang and Chairman of the Chekiang Provincial Government, issued an appeal for peace to all the members of the Central Executive Committee. Since Mr. Chang's position is unquestioned in the Party and the Government it would seem as though his plea had official inspiration. It perhaps is the opening move in an attempt at reaching a compromise.

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COMMENTS ON CURRENT EVENTS

May 19---June 2, 1930.

1. General.
2. The Military Situation.
3. Our Chinese Policy.
4. Hongkong and the Maritime Customs.
5. The Moscow Conference.
6. Miscellaneous.

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1. General.

Although certainly the best government that the Chinese Republic has had, Nanking becomes weaker each day. This gradual recession of strength was not noticed until recently in the western capitals where were heard only the grandiose plans of enthusiasts which too often were mistaken for accomplishment.

This paradox may be directly ascribed largely to intolerance. Intolerance is not a Chinese trait. "Live and let live" has always been the national policy. Intolerance manifested itself first in the exclusion of leftists from party and national affairs though the revolution was born and flourished under leftist guidance. Then a narrow sectional intolerance manifested itself in Nanking, so that the North was given less than its due of political spoils and had no voice in government affairs. The traditional spirit of conciliation was replaced by the desire for conquest. The disbandment conference accomplished the reverse of its aims because Northern military leaders saw plans for a reduction of their forces while Chiang Kai-shek's were being increased. The square-jawed man of a single idea is not a Chinaman. Traditionally the Chinaman tempers his sails to the wind, and while not adverse to argument, does not become didactic.

When, then, a government steers the course of pacification by conquest rather than by compromise and conciliation, it is running against the current of Chinese nature. It is attempting to ascend the strong river of public opinion in a craft of western manufacture under-manned and not fully understood.

Therefore, while the group of idealists in Nanking continue to add splendid laws to the statute books, only the provinces immediately around the capital render any fealty and the larger extent of China is in open revolt.

Whether the present ever-increasing turmoil will grow from revolt to revolution we cannot say. The object of a revolt is often merely political---the change of a government. A revolution, on the other hand, aims deeper and seeks fundamental social changes. The present government by concentrating its energies upon what we must call the superficialities of extraterritoriality, abolition of foreign privilege, and extension of power, has allowed social and economic grievances to reach a stage where, especially in the provinces of Kiangsi, Hunan, Fukien and Hupeh, direct action is being taken for their redress.

The shadow arising from the provinces mentioned falls athwart the whole of China, and though the present war has assumed great proportions, bids fair to eclipse it in importance.

From M/A, China Report No. 7739 June 2, 1930

2. **Military Situation.**

In reporting the present struggle, attention has been invited to the fact that Chiang Kai-shek, in spite of his reputation for rapidity of movement, was playing a waiting game along the Tsin-Pu and Ping-Han railroads. It was believed that the delay might benefit the government since the rebels had little money and presented anything but a united front. However, probably because of political pressure, Chiang commenced an offensive action on both fronts on or about May 15. This offensive from the military standpoint came too late, since he gave the North time to complete its concentration. He was prepared to attack two weeks before he did, but in delaying gave the enemy a period of which he made the utmost use.

This attack was successful along the entire line. On the Lunghai, attacking with the 1st, 2nd, 2nd New, 3rd and 5th Divisions and the 12th and 15th Independent Brigades, he drove through Lanfeng which he captured on the 22nd. On the western front he reached Hsuchow north of Linying. However, except for the 25th Shansi Army Corps along the Lunghai he came into contact with only the miscellaneous troops under Wan Hsuan-tsai and Sun Tien-ying. This effort was aided by a turnover near Kaifeng of Liu Mou-en's division which was under Wan Hsuan-tsai. The aspect of the situation at this stage——around May 22-23——looked very black for the North and it seemed to the government as though Kaifeng and Chengchow would soon be taken.

However in this movement Chiang had over-extended his center. On May 23, Feng gave orders for a general counter-attack, this time using his best troops. Shih Yu-san attacked southwest from the region of Tsao-hsien in southwest Shantung; Sun Liang-cheng attacked northeast from the region of a point half way between Lanfeng and Kaifeng. The Shansi troops under Sun Chu and the 29th and 1st Kuominchun Divisions attacked east along the Lunghai, and the 22nd, 23rd and 24th Divisions, also under Sun Liang-cheng, by a wide turning movement through Hsuchow on the Ping-Han, attacked in a northeasterly direction.

At the same time this attack was taking place a diversion was made by Shansi troops under Fu Tso-yi in north Shantung, Sun Tien-ying attacked Pochow and the 2nd Kuominchun cavalry division, making a wide detour, appeared in the region of Yucheng.

Chiang's troops along the Lunghai, of which the new 2nd Division and the 2nd, 12th and 113th Brigades were the advance elements, fatigued by their rapid advance, were driven back with losses estimated as from 4,000 to 50,000 to the general line Tsining (Shantung)-Kweiteh(Honan)-Yungcheng (Honan).

From a military standpoint this struggle is interesting since the government is weak in cavalry but strong in the air, while the Kuominchun and Shansi cavalry is plentiful and their air forces negligible. The country is good cavalry country, and the wide flanking movements described above depended upon cavalry for their successes.

The general counter-attack lost its driving force on the 26th and a general consolidation has been taking place since. As these comments are being written, Mr. Lenox-Simpson, who has converted the Peking Leader into a rabid propaganda sheet, reports the capture of a Nanking air force of 12 planes at Mamutsi. While this can not be verified it is at best thought to be grossly exaggerated, though it must be recognized that with Nanking's shortage in cavalry each airplane is tremendously valuable.

On the 28th, Fu Tso-yi's 10th Division crossed the Yellow River at a point about half way between Tsinanfu and the sea and was met by a brigade of Han Fu-ch'u's north of Chowtsun on the Tsinan-Tsingtao railroad. Orders directing Ma Hung-kwei to assist Han in this region were countermanded and Ma was rushed south towards Suchow, leaving Han Fu-ch'u to face the Shansi troops alone. Liu Chen-nien has again transferred his allegiance and now wears a Northern armband. It is reported that other troops are crossing the river and it is expected that Tsinan may soon fall. North of the river, Yencheng, held by a small detachment of Shantung troops, is surrounded by Northern forces. It may be that since Shansi troops have crossed the river, the Yellow River railroad bridge will this time escape demolition. Both North and South hope so.

The compromise which has been effected between Kwangtung and Kwanghsi has added to the disorder in the North. The Nationalist 8th Division and 8th Route Army left Canton by the sea for Nanking on May 24, and Chang Fa-kwei and the 15th and 16th Divisions and the 7th 8th and 15th Army Corps of Kwangsi, under Li Tsung-jen, started overland for Hunan on or about May 15. The latest reports indicate that after a rapid march Chang Fa-kwei and his allies have appeared in the neighborhood of Changsha, a city of extreme strategic importance; and that Ho Chien has so far placed few obstacles in their path. The Ironsides are moving northeast through Kiangsi while the investment of Changsha has been left to the Kwangsi units commanded by Pai Chung-hsi, who is his second in command. Should Changsha fall it permits the insurgents from the south to use either of two capital routes——one to the Wuhan area by rail and water; and the other through Kiangsi, the route followed by the Cantonese, to Nanking.

This diversion is bound to lessen the tension for Feng on the Ping-Han, and with the communistic leaning of Kiangsi and the Red tendency of Chang's army, may prove a dangerous threat.

In short, the present trend of events is very troublesome to the government. No irreparable losses have been suffered, but the machine which Nanking considered invincible has met with reverses, and the rebels in like degree have won morale. The dangerous proximity of Chang's Ironsides and the Kwangsi invaders to both Wuhan and Nanking cannot but effect the situation.

3. <u>Our Chinese Policy</u>.

The sympathetic and sometimes sentimental policy which the powers, with Great Britain and the United States in the lead, have adopted towards China has been in operation long enough so that we should be able to see the results and determine the future trend. This policy is one of "Hands off!" Let China settle her own affairs, but do not interfere unless she asks. A "Big Brother" policy.

An example is Customs autonomy. This was a much mooted question and finally with the idea of giving China freedom in internal administration it was granted. What has been the result? Nanking first put into effect a tariff which was anything but scientific. It was built to tax the articles which would bear the largest burden with the idea of obtaining a larger revenue rather than a sound flow of trade. Revenues were increased so that arms, munitions and airplanes, which before had been prohibitive in price, entered the country free from every quarter of the globe. It is not too much to say that from a social and economic point of view the tariff increase has meant no relief to China.

But it did bring wars, ideas of conquest, and German military advisers. Without this customs' surplusage the last two wars would not have been waged.

Extraterritoriality has not yet been given up, but in its abandonment friends of China see danger not only to themselves but to China also. No central government in China now or in the near future can have enough power to impress its will in the outports and interior. "Unfortunate events" are bound to occur which must bring foreign intervention.

The past twenty years seem to show that the more rope is given China the more hopeless a tangle she makes of it. Every year the snarl becomes tighter. Had the great powers untangled the skein some years ago the task would not have been arduous, but today it would be tremendous.

The "Big Brother" attitude must be carried a little further. Instead of standing at the head of the stairs and complacently watching the child tumble to the bottom with all its new western toys——guns, airplanes, railroads, customs autonomy, Marxism——the infant's hand must be taken and he must be shown the intricacies of each step.

Too much is being expected of China. China now is in the throes of an economic, social, political, and moral revolution. She is expected to arrive in a few years at what we have been striving for since the middle ages. We are holding a 20th Century court on a 10th Century prisoner. We are expecting growth in a few years which was impossible to us,with all our virility, in many.

One of China's revolutions, say the political, would be all she can bear, but add the others and do not wonder that her back breaks. We can not remove her burdens. They are the external manifestations and travail of the civilization which we have perfected and can not halt. We felt the same pains, but they were spread over so many years that they were not too poignant for us to bear.

No advocacy of armed intervention is sensible. But there must come an economic intervention, in which the child is taught by teachers who have knowledge of the civilization which is causing the torment.

4. <u>Hongkong and the Maritime Customs</u>.

Since the days of Sir Robert Hart, the Chinese have been endeavoring to obtain for the Maritime Customs jurisdiction over the colony of Hongkong. During the past few years this question has been quiescent, but with the increase in the Chinese import tariffs there has been a corresponding increase in smuggling all along the Chinese coast, and the attempt is again being made. Since Hongkong occupies an unusual geographic position with regard to the Chinese mainland, and is a part of call for most of the Southern Pacific trade, there has been recently a pronounced increase in smuggling operations from Hongkong to China proper. That this is the case is recognized by the authorities in Hongkong who apparently are sympathetic with the Chinese aspirations.

However, in the draft agreement of last year drawn up by Mr. Maze, the Inspector General of the Maritime Customs, in which the Chinese Government approved, there is a clause prohibiting Hongkong steamers from trading under inland water rules. It may be remarked that inland water rules prohibit a steamer trading under them from

touching foreign ports and since Hongkong is a foreign port, the privileges of trade under these regulations is denied her.

Hongkong claims that if she makes herself a treaty port to the extent of giving the Chinese Maritime Customs full jurisdiction over her trade, she should enjoy treaty port privileges. One of these privileges is that a ship under a foreign flag may be licensed to carry goods between a treaty and a non-treaty port.

In the autumn of 1929, the Hongkong authorities drew up an amendment to the agreement as follows:

> "Steam or motor vessels of any description, provided that they are registered for the purpose with the Chinese Maritime Customs, may trade between Hongkong and non-open ports, and vice-versa, whether via a treaty port or not...."

The London branch of the Chinese Customs is bringing pressure to bear upon the Foreign Office there, and every effort is being made to over-ride Hongkong's objection.

Hongkong undoubtedly fears that in giving way in this matter she may lay herself open to the same activities for retrocession which brought about the rendition of Weihaiwei.

5. <u>The Moscow Conference</u>.

Whereas the opening date of the Sino-Russian conference was set for May 25, there have so far been nothing but informal and preliminary conversations. Many questions which have arisen out of the C.E.R. trouble of last summer, and the subsequent invasion of Manchuria, remain to be settled. The results of this conference are awaited eagerly by the Manchurian and the White and Red Russian residents there alike.

There would seem to be some connection with Moscow's delay in commencing negotiations and the communistic movements along the Yangtze River. Certainly the more successful these movements are, and the weaker the Chinese Government becomes, the more strident Moscow's demands will be.

According to a Nanking report of May 31, Russia is demanding that China should allow Soviet guards at Soviet consulates, at branches of the Dalbank, and at the Soviet Legation. While Mo Teh-hui, the principal Chinese delegate, has received instructions from Nanking to include nothing but matters pertaining to the C.E.R. in the agenda, it is assumed that the U.S.S.R. will endeavor to bring up and settle other questions as well.

6. <u>Miscellaneous Notes</u>.

<u>The Mongolian and Tibetan Affairs Conference</u>. Forty odd delegates from the far-flung marches of Tibet and Mongolia opened a conference under governmental auspices on May 21st in Nanking. A tenuous grip at best is held on these distant provinces, and in this period of internal strife no actual control can be exercised. The government and the Waichiaopu in this meeting are endeavoring simply to maintain China's moral ascendency.

The Waichiaopu, in a message of greeting to the "Brethren of Mongolia and Tibet", made a plea for "diplomatic unification" and cautioned Mongolians and Tibetans against entering into negotiations with any foreign powers, added that rights for such negotiations were vested in Nanking alone. After referring to the Sino-Soviet treaty of 1924, in which Russia recognized Chinese sovereignty in Mongolia, the message optimistically states, "It is therefore obvious that Russia has renounced and does not possess any special interest in Mongolia".

In addition to matters concerning the encroachment of foreign powers in Tibet and Mongolia, the conference will discuss reconstruction and communication in the two areas.

Further Fall of Silver. Despite Nanking's endeavor to check the fall of silver by forbidding on May 16th the importation of silver coins and the exportation of gold bars, the fall continues and the lowest price quoted in Peiping was 360 dollars Yuan currency to $1.00 U. S. Currency on June 3, 1930.

While the world silver market was not affected to any great extent, the local Chinese market was influenced by reports of government defeats in the war zone. Since Chinese foreign obligations are in gold, the present exchange continues to embarrass the government.

There has been a marked increase in prices of all imported articles of late, and native articles are rising in price though slowly.

According to a telegraphic despatch from Nanking, the government is considering placing an import duty of 30% on silver bullion.

T. V. Soong, Minister of Finance, is opposed to any corrective legislation, and states that only a general economic re-adjustment throughout the entire country will be of any benefit. He agrees with the conclusions of the Kemmerer report---that the currency of the country must be put on a gold basis, but neither Kemmerer nor anyone else has suggested a method of accomplishment.

Scientific Expeditions. Having overcome the difficulties placed in his path by the Peiping Association for the Preservation of Ancient Relics, Roy Chapman Andrews, accompanied by a representative group of scientists, left Peiping for scientific exploration in Mongolia on May 26th. The Chinese co-director demanded by the Association has been appointed but failed to accompany the expedition. He is said to be following at a future date.

This same society and the Academia Sinica is opposing Sir Aurel Stein's proposed expedition into Chinese Turkestan on the grounds that he has made expeditions into Chinese territory without permission of the authorities, obtained relics by other than honorable means, drew inaccurate maps, and did not allow Chinese students in London access to his materials. The criticism of this learned and eminent archaeologist by the members of the Peiping Association for the Preservation of Relics is grotesque.

The Return of Foreign Concessions. Three commissions were appointed on May 15th to expedite the return of foreign concessions. One of them is to handle rendition of Japanese concessions; one British, French and Italian; and one the recovery of the International Settlement at Shanghai.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

June 3---16, 1930.

RECEIVED G/2 W. D. JUL 18 1930

1. General.
2. The Military Situation.
3. The Reception of Nanking's Peace Move.
4. The Mongolian Conference.
5. Censorship and Propaganda.
6. Dissension Among Anti-Government Politicians.
7. Miscellaneous Notes.

1. General.

The present war, which may be said to have started on February 10, when Yen telegraphically suggested that Chiang and he resign their posts and that the Chairman of the National Government give up his ambition for the unification of China by force of arms, drags interminably on. Soldiers whose hearts have not been touched by their leaders ambitions are war weary and care nothing for posthumous honors. Vast areas capable of cultivation in this year of scarcity are either trodden beneath the feet of the contesting armies or remain untilled through lack of man power. Banditry and communism rise hydra-headed throughout the Yangtse Valley.

From the military standpoint neither north nor south has won an important victory, yet the tide seems to be moving against the government. Chang Fa-kwei and the Kwangsi Army presents a menace from Changsha and Kiangsi, doubly dangerous because of the availability of thousands of Red recruits for Chang's flag. Tsinanfu, the capital of Shantung, might be taken at any time were Yen not trying to obtain possession by the pacific means of intrigue. Chang Hsueh-liang, who holds the balance of power, is content to sell arms and ammunition to both North and South, and isolates himself in Mukden.

The war drags interminably on.

2. The Military Situation.

The most important event in the arena of war has been the success attending the march north of Chang Fa-kwei's "Ironsides" and his Kwangsi adherents. This force totals about 95,000 men. Meeting with scarcely any resistance they captured Changsha on June 5, and Yochow on June 10, and have penetrated as far as the town of Pingsiang in Kiangsi. While it is known that these troops are not well equipped, and believed that they are short of ammunition, they offer a serious threat regardless. In the first place they have caused Ho Ying-chin to weaken his forces along the Peking-Hankow line, and probably more important, have given a rallying point for the malcontents and communists in Hunan and Kiangsi. From a strictly military viewpoint their elimination should take but a matter of days. With Ho Chien, governor of Hunan, in force at Changteh, with Hsia Tou-yin at Sienning, and with three divisions of Kwangtung troops in the rear at Hengchow, their position seems precarious. However, Ho Chien's loyalty is regarded with suspicion and he is believed to be in sympathy with the rebel cause. Kiangsi offers a ripe field for Chang Fa-kwei's exploitations and rebel successes in the north may cause divisions to fall away from Chiang as rotten fruit from a tree sucked dry.

American Corsairs are daily bombing Northern positions, but Chinese pilots drop a suspicious number of "duds". Fan Chung-hsiu, Commander of the 8th Army Corps, was killed by an aerial raid on June 4, in Hsuchow, central Honan, but the moral effect produced by high flying bombing planes is not as disastrous as the government had hoped.

During the first half of the period under review, a general consolidation on both fronts was carried out. From the fact that the 8th and 64th as well as Ma Hung-kwei's divisions were ordered to Suchow, together with quantities of ammunition, it was thought that Chiang was contemplating another offensive. But on the 10th, 11th and 12th a retreat was effected on both fronts to the general line Mamutsi-Siayi-Yensheng. Northern communiques however, have it that the government forces have been driven to Tangshan on the Lunghai and to Chumatien on the Peking-Hankow. It would seem as though Chiang intended to retire to his original fortified positions.

While Chiang has made this general retirement, it is not thought that he is defeated, but that with the Northern success in Hunan and Kiangsi and the uncertainty of the situation around Tsinan, he has thought it advisable to shorten his lines.

The situation in Shantung remains obscure. The 3rd and 4th Shansi Army Corps have crossed the Yellow River, while the Shansi 5th Army Corps and Shih Yu-san are southwest of Tsinan, and south of the river near Tunga. Liu Chen-nien, whose allegiance to the government is very doubtful, has moved west along the Tsinan-Tsingtao railroad to Weihsien, from which position he practically controls the situation. Yen Hsi-shan's headquarters have announced that because of the protection Yen wishes to accord foreigners, Tsinan will not be attacked. While this statement sounds a bit altruistic, there may be a deal of truth in it, for were Japanese subjects seriously endangered Japan would be very apt to send yet another expeditionary force to Shantung.

There has, then, been no severe fighting during the past two weeks, but a rapid attrition of government strength has eventuated nevertheless. Rebellions from time immemorial if not rapidly quashed gather momentum. A government withdrawal, while in a military sense not a defeat, in a moral sense is one. The present rebellion has been dragging on since about February 10, and each day lessens the government's prestige and increases the Northern hopes. From Japanese sources comes the report that the crack government troops do not care to fight. In the last analysis they are soldiers for the same reason that other Chinese are soldiers—they want access to a food supply, and so long as they see no diminution in the rations they do not become heroic. The Kuominchun, however, is fighting not only for the right to eat but the right to live. Were they again driven back through Tungkwan their extinction would be practically certain. The most deadly and modern weapons in unwilling hands are no match for the ardour of self-preservation.

3. <u>The Reception of Nanking's Peace Move</u>.

The press on May 13th broadcasted the news that with Chang Hsueh-liang and Li Chai-sum, for months captive in Nanking, as middlemen, the government and the North were making overtures for peace. The North was said to be willing to forego the movement of the capital to Peking and the South ready to retire to the south bank of the Yangtse. The report has all the earmarks of a ballon d'essai, since the leaders of both the North and South repudiate any part in it.

On the 12th and in reply, Chu Ao-hsiang, director of foreign affairs of the headquarters of Yen Hsi-shan, issued a statement which will bear close scrutiny. An extract runs as follows:

> "Let me warn you that if Chiang asks for peace it means that the high officials in Nanking and their friends have commenced to intrigue to save their own positions. I have already told you a number of times how both Marshal Yen Hsi-shan and Marshal Feng Yu-hsiang detest the system of spoilation which has been so long established at Nanking, and that they will not tolerate its continuance even in a concealed form. This nest of intriguers and time-servers must be crushed once and for all if China is ever to recover and take her proper place in the world. That is why I do not believe for one moment that the chiefs of the Northern Coalition will accept a settlement which while nominally eliminating Chiang Kai-shek will perpetuate his system. What we require is a tabula rasa, a clean sweep, and it is believed by all that that can only be secured by removing the capital back to Peking. I wish to recall that Marshal Yen Hsi-shan declared some time ago that he desired to establish a clean government. A settlement such as is proposed runs counter to Marshal Yen's ideas that a clean and decent financial system cannot be obtained so long as any vestige of the present Nanking regime remains."

Director Chu, who we must assume is Yen's, and to a lesser extent, Feng's mouthpiece, sounds in the above the knell of government reform in China. A "clean sweep" will be made in Nanking!

While there are few if any observers who are not free to admit that there is graft and corruption in Nanking, all must certainly acknowledge that too there is a surprising amount of honesty and ability. While Nanking does not represent China, it may be said to represent the returned students of China. Many there are, especially in the subordinate positions, who brought real ability to their task and have leavened it these last three years with the salt of experience. It would be impossible to find men to take T. V. Soong's or Wang Chung-hui's place. They are unique in China.

While it is by no means certain that the laurels of victory will fall to Yen and Feng, and that the tabula rasa will eventuate, in case it does what has the North to offer China in lieu of the Nanking Government? Frankly, nothing. Will the new government be leftist, moderate or right? Will Wang Ching-hui control it, or will Yen Hsi-shan? For every conservative one may mention there is a radical. And where does Feng Yu-hsiang sit in the council? He bids fair to emerge from the present conflict in Homeric proportions. He is not given to temporizing---his path while devious has seemed to lead to a certain goal. He is ridiculed by the self-styled intellectuals and modernists, yet his image is carried in the hearts of his soldiers.

In fact, the most sanguine cannot conceive of any force strong enough to hold these divergent elements together. It is China's old struggle repeated; the old attempt to balance the inherent centrifugal force in the country with a by no means native centripetal one.

Dr. Chu's promise to bring the capital back to Peking sounds familiar. It was not so long ago that the Kuomintang announced that it was impossible to build a clean government in the accumulation of political corruption and nepotism steeping Peking. Now a clean government is

apparently impossible in Nanking. Yet while "Peking has a fairer ring in the foreign ear than "Peiping" the foreigner must admit that if the goal is a united China the capital should be in the Yangtse Valley which contains one-half of the Chinese race. Mahon in his "The Problem of Asia", which though perhaps out of print is far from out of date, states that "It is to be wished....that the seat of government, despite the force of tradition, could be shifted to the Yang-tse-kiang, throwing itself frankly upon the river, as the core round which to develop a renewed China". The foreigner too, though selfishly, must see that a government situated nearest the center of foreign influence, Shanghai, must more nearly come under this influence than one miles away.

But the day for a united or a "renewed China" is still to be seen only in visions. What Chu recommends is the return of a sectional government to Peking——a government which though it may rule China north of the Yangtse must disregard disorder in the South. Then will come perhaps the tri-partition of China——Manchuria, North China, and South China. This again may perhaps be the best solution for, to cite one example alone, despite the present intense nationalism and cohesion of Germany, years of factional and sectional strife were necessary in its union.

4. <u>The Mongolian Conference</u>.

On June 12, after eight sessions, the Mongolian affairs conference was adjourned. Many proposals were considered and resolutions carried. A resolution was passed prohibiting llamas from interfering with local political administration. Discussions were heard on the improvement of judicial administration, reclamation of waste land, creation of a Public Safety Corps, land tenure, organization of a police system, abolition and emancipation of slaves, communications, methods of manufacture and pastorage, and the promotion of public health.

Chang Hsueh-liang telegraphed the assembly asking that action on many of the proposals be postponed, since Mongolia was not far enough advanced to absorb the new ideas and only confusion would follow their introduction.

A telegram was circulated by various princes and tribal leaders from Mongolia repudiating the conference since it was called by the 3rd National Congress which, they stated, was illegal.

It will be remembered in this connection that Yen Hsi-shan was formerly the head of the Mongolian and Tibetan Affairs Committee. The cleavage existing between the North and the South extends far from the center of conflict and the prestige of Nanking and of China suffers in consequence even to the marches of Tibet.

5. <u>Censorship and Propaganda</u>.

Many of the precepts of Borodin were soon forgotten by his eager students, but the lessons he gave in propaganda are still bearing fruit. Both North and South realize the value of the weapon but seem not to have mastered the fine points in its use. Brazen lies are bludgeoned on the public with a frequency which leaves the man in the street aghast and impossible of belief.

On June 3, the Peking Leader (Northern propaganda sheet) announced Changsha captured by Chang Fa-kwei and Kwangsi, and on the same date a report was received from Kuo Min (official government news agency) that Chang Fa-kwei and the Kwangsi troops had been decisively defeated by Ho

Chiem in south Hunan. If the news reader would mark troop positions as reported by the North and by the South, he would discover that the North had defeated the Southern reserve and that the South had captured the Northern bases. The battle, according to these reports, would be taking place between lines many miles apart and faced in opposite directions.

All telegrams from the South are censored here, and the same holds in the area around Nanking. Mail is opened and long distance telephone calls are subject to interruption.

So flagrant has this campaign become that natives of Shansi living in Peiping are prone to believe that Yen is on the verge of a defeat rather than, as reported, marching to victory.

Not content with keeping the truth from China, the Foreign Relations Committee, on June 6, voted to petition the Minister of Foreign Affairs to open news gathering organizations and establish Chinese-owned newspapers in various foreign capitals in order to rectify the impression concerning China created by foreign news agencies and correspondents.

6. Dissension Among Anti-Government Politicians.

A rupture has occurred between the left and the right wings of that part of the Kuomintang which is in revolt. With Wang Ching-hui at its head and represented by Chang Fa-kwei in the field, the radicals are at odds with the Western Hills group (right wing) led by Hsieh Chih and Chou Lu, political allies of Yen Hsi-shan.

Both agree that the 3rd National Congress was illegal and therefore the present Central Executive Committee is more illegal still. They both desire a C.E.C. which may take control of party affairs in the disaffected provinces. The leftists hold that the C.E.C. appointed by the 2nd National Congress in 1926 should again be convened, in order to assure the legal continuity of the government. Since this committee had a very strong leftist tendency, the Western Hills group lays no stress upon "legal continuity" and is for calling a plenary session of all anti-government leaders, and from them form a new C.E.C.

There is, however, a very genuine desire for cooperation, and realization that the gap must not be allowed to widen. A joint manifesto was given the press, representing the views of both parties to the controversy, in which a citizens conference to settle national affairs was advocated. The breach, however, will not be entirely closed until a compromise on the personnel of the C. E. C. is reached.

7. Miscellaneous Notes.

Hu Shih. The "Second Confucius", as he is sarcastically dubbed by his detractors, gave voice to several pithy truths before the student body of the Peking National University on June 10. "The real enemy" said he, "of the Chinese national revolution is not imperialism nor the so-called feudal influence. Our country is tormented by five curses, namely, poverty, disease, ignorance, corruption in high places, and continued civil war". Dr. Hu added that of these curses the greatest was civil war. He attacked as uneducated the military and civil leaders of his country.

Dr. Hu is probably the only man who can attack the government and national institutions with impunity. So great is his prestige that despite his revolutionary remarks and the demand for his arrest as a counter-revolutionary by the Shanghai Tangpu, the government dare not incarcerate or interfere with him.

His political ideas are iconoclastic; his constructive utterances few. Dr. Hu plans to leave for the United States during this month, and after arrival will lecture at Yale University.

The Moscow Conference. The Russo-Sino discussion over the C.E.R. and allied questions is apparently making no headway. 700,000,000 gold rubles has been stated by the Soviet as the cost of construction of the C.E.R. China can not buy at that price.

The conference has not formally opened, pending an oft-delayed agreement on the agenda. Russia watches the struggle in China, and Mo Te-hui's liberty of action has been restricted by Nanking.

Disorders in Siberia. Vague reports of disorders in and around Vladivostok in the Maritime Province were current in Harbin papers during the first week in the month. It was stated that the crews of two Soviet destroyers, the Krasnyi-Vmpel and Vorovsky, had mutinied and had released several thousand prisoners incarcerated on Russian Island. Coupled with the mutiny as to time at least, were serious outbreaks in two coal-mining districts near Vladivostok.

It was reported that because of these events, and because of partisan detachments composed of workmen, peasants, and deserters from the Red Army, who are operating in the vicinity of Vladivostok, the U. S. S. R. requested permission of the Manchurian authorities to transport troops across Manchuria via the C. E.R. It is not known whether this request was granted, or the troops despatched.

The German Industrial Mission. The industrial mission from Germany mentioned in an earlier Comments, not failing to reiterate that they represent a nation enjoying equal privileges with China, continues on its inspection of Chinese industry.

It is thought that this mission was sent to China for three reasons. In the first place, German military advisers are stirring up an interest in and therefore trade with Germany, and the mission is prepared to execute orders. Then, while desiring a larger slice of Chinese trade, because of the long term credits demanded by Chinese merchants, a survey of the situation was necessary. Finally, an industrial mission, which sticks close to its industrial last, and does not wander in military fields, can do a great deal to offset the hostile attitude engendered in the minds of the Chinese majority by the German military advisers. They, to the North especially, are responsible directly or indirectly for many of the wounds and deaths in battle, and the continuance of the struggle which is pauperizing the country.

Crops. Throughout the north and northwest there is promise of a bumper crop in 1930. Rain has been unusually plentiful, and while many hands are idle in the army or bandit groups, necessitating the planting of a smaller total acreage, the harvest where gathered should be plentiful. Authentic reports from famine stricken Shensi state that along the river valleys the crop is well above average, and that 1/6 of the total acreage is planted to poppy.

The Tientsin Customs. It will be remembered that on April 29, Yen Hsi-shan announced that after May 1, all customs receipts in Tientsin in excess of the 5% hypothecated for foreign loans would be detained. Due to the fact that Mr. Bell, the Commissioner of Customs, placed the customs returns in the Hongkong & Shanghai Bank, Yen was not able to carry his threat into execution.

However, on June 16, B. Lenox-Simpson, better known under the nom de plume Putnam Weale, armed with an order issued by Yen Hsi-shan, and signed by Tsui Ting-hsien, Mayor of Tientsin, Fu Tso-yi, Garrison

Commander, and Kao Chin-yu, Superintendent of Customs, entered Mr. Bell's office and informing him that he was discharged, took over the duties of commissioner.

The Customs is located in the French Concession and Mr. Bell undoubtedly thought he was free from interference. Just what the French could have done or can do in the protection of the inviolability of the concession is difficult to imagine. Since the French were instrumental in permitting Chang Tso-lin to search the Russian Legation in Peking and since they are bound to recognize Yen's control in the North at the present, they probably will take no action.

Mr. Chu Ao-hsiang, in commenting upon the seizure, states that customs funds will be deposited and will not be used by Yen. Further, that the only reason for sequestration is to keep Chiang Kai-shek from using these funds for the purchase of war materials.

Foreign residents here are asking each other if, in the event of a Northern victory, Simpson will be appointed Inspector-General of Customs. Mr. Simpson, while highly thought of as a writer of imaginative literature, is not generally regarded as possessing marked ability in any other direction.

Parker G. Tenney

Parker G. Tenney
Captain, Field Artillery,
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Office of the Military Attache, American Legation, Peiping, China - June 18, 1930; To: The A. C. of S., G-2, War Department, Washington, D. C.

Forwarded.

Nelson E. Margetts

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Lieutenant-Colonel, Field Artillery
Military Attache

5-1
OFFICE CHIEF OF STAFF
MIL. INTEL. DIV.
AUG 1 1930
2055-622
128
WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

June 17—July 1, 1930

1. General.
2. The War.
3. The American Legation to Shanghai?
4. The Customs Controversy.
5. Kaleidoscopic Shantung.
6. Leaders of China.
7. Miscellaneous Notes.

RECEIVED G/2 W. D. JUL 31 1930

1. **General.**

Both North and South are feeling the strain of the present conflict whihc is being prolonged in a manner not forseen by either opponent. The financial strain is being evidenced in the North by the collection of next year's land taxes and in the South by further bond issues. As from the beginning, the strategic area is the Lung-hai front. Fighting is desultory on all others, but there Nanking is making a last desparate attempt to break through to Chengchow. Successes on all fronts during the past two weeks have been about equally divided, since Chang Fa-kwei has been obliged to retreat from Hunan, thus lessening the tension at Hankow, and Shansi has occupied Tsinan and increased the government anxiety in the Northern zone. A lack of co-ordination is distinctly apparent both in the armies of the Central Government and those of the so called "Allies." Very little effort at synchronization is evident on either side. When Chiang attacks along the Lung-hai, there is no corresponding attack north along the Peking-Hankow, and when Shansi was attacking Tsinanfu, no effort was made by Feng to lighten the task by a demonstration in Honan. Both Yen and Feng are indisposed to waste their personal armies, although the destruction of their allies is viewed with equanimity. Nanking has despatched General Chan Chu, Mayor of Shanghai and sworn brother of Chiang Kai-shek to Mukden to either beg assistance or to beseech Mukden to plea for peace. To date frequent Nanking attempts to gain Mukden's assistance have failed and Chang Hsueh Liang continues to take an academic interest in intra-mural affairs.

The struggle is drawing to a close. If Nanking's present attempt along the Lung-hai is not successful, it is doubtful whether the government can muster sufficient strength for another effort. On the other hand, if Nanking wins the battle, the loose bonds holding the allies together will fall of their own impotence. In either event, another deadly compromise seems likely, deadly because a Chinese compromise settles no issues and makes no friends; deadly because it will contain germs of other and perhaps greater wars which will sap the strength of the already weakened country.

Nanking's suzerainty, which has always been more ephemeral than real, will-no matter what the outcome-be weakened by the war. Actualities may finally be recognized and governments set up at Peiping, Mukden, Nanking and Canton which will at least honestly represent China's difference rather than veil them with the sophism of Nanking. Perhaps foreign powers would be more successful in preventing these four divisions from jumping at each others throats than they have been in prohibiting civil wars, since to intervene in a civil disturbance is to mock National sovereignty, while interdiction of international war is the slogan of present day diplomacy.

2. **The War.**

Of the four fronts, Shantung, Hunan, Lung-hai and Peking-Hankow

the past two weeks have seen developments on three. Due to the fact that such a large area is involved, it is proposed to deal separately with each section.

The Lung-hai Front.

On or about June 20th, Chiang with about 100,000 of his best troops attacked in a north-westerly direction from the general line Suichow-Chowtiakow, in spite of the fact that Pochow to the east is still occupied by Sun Tien-ying and his 5th Route army. Sun according to reports has decided that his first order was foolish, since his impetuosity might leave him without troops at the end of the war. Chiang therefor is allowing him to remain in his rear unmolested.

This attack which is still proceding, has left the Lung-hai railroad. Feng Yu-hsiang has built strong defensive works east of Lanfeng, against which Chiang has not cared to waste his men. On the 27th the government advance guard had reached a point not more than 10 miles southwest of Kaifeng. On or about that date Sun Liang-cheng counter-attacked and drove the Nanking forces back to Kihsien, where unauthenticated northern reports indicate a heavy blow was given the government in close fighting.

Reports from this section, which has remained the mostiimportant during the entire war, have been clouded throughout with speculation and propoganda. From indications rather than reports, it would seem that the South is making headway in what is generally thought to be a final offensive effort. If this present attack is not successful, it is expected that government lines will be greatly shortened. If it is successful the retirement of the Kuominchun and the Shansi armies is clearly indicated.

This decided change in the situation, which may well alter again, has been brought about largely by the debacle in Hunan. Chang Fa-kwei's retreat has permitted the government to transfer large numbers of troops from the Wuhan area to the eastern front, with which Chiang has been able to replete an exhausted reserve.

A second Kuominchun cavalry raid has been successful in destroying another hangar, and while the exact number of planes demolished is unknown, it is common knowledge that the Nanking air force has lost most of its strength. Some twenty more planes, however, are beginning to arrive from the United States.

The fighting on this front has been as severe as that witnessed in any Chinese war. Frontal attacks have been made on positions manned by machine guns without sufficient artillery preparation. The Chinese armies find themselves in the same position as were the armies in France during the beginning of the war, that is with such a preponderance of defensive strength in machine guns that the offense was generally unsuccessful. In France this disparagement was remedied by the hurried construction of thousands of pieces of artillery. Here in China the manufacturing facilities of the country will not permit sufficient rapidity of construction, nor will the financial condition of the country allow purchases in numbers large enough to give either contendant the necessary preponderance in artillery to restord the ascendency of the offsensive.

The Shantung Front.

On June 22d the situation around Tsinanfu was roughly as

follows: Three divisions of Shansi troops had crossed the Yellow River west of Tsinan at a point about three miles northeast of Pingyinghsien, and reinforced by two divisions which crossed at the same point on the 22rd, they advanced to within a short distance of Changtsinghsien.

Ma Hung-kwei in the meantime had arrived in Taian with 22,000 men including cavalry and artillery. He moved west from Taian to Feichenghsien from which point he could have attacked the rear and right flank of the advancing Shansi troops. He however, remained motionless and made no attempt to come to Han Fu-ch'u's aide. An iron railway bridge had been blown up by bandit allies of Shansi at a point half-way between Taian and Tsinan which hindered his northward advance, but of course did not interfere with his movement toward Changtsing.

Han Fu-ch'u defended Tsinan with a long line of trenches which followed the river and reached southwest as far as Changtsinghsien. When Shansi crossed the Yellow River at the point indicated above, he built up his forces at the southwest terminus of his trench system and endeavored to extend his line from Changtsinghsien east to the railroad where he had stationed his 85th brigade. This line was broken by the invaders on June 23rd and Han's position at Changtsinghsien was turned. The ease with which this was accomplished indicates that Ma Hung-kwei betrayed Han, for even as late as the 22d the government of Shantung seemed very confident of success. During the night of June 23rd, Han Fu-ch'u began evacuating Tsinan and moved to the east along the Tsinan-Tsingtao railway where he is at present occupying the railroad line from just east of Tsaoyuan to Kosmi.

The capture of Tsinan came as the finale of a very sad adventure for Yen Hsi-shan. He lost thousands of men in crossing the river to the east as well as to the west of Tsinan and in attempts to force the bridge. His failure to use artillery in his efforts to cross the bridge was probably due to his disinclination to injure it. Each night Han brought an amoured train up to the bridge, but during the daytime it was defended by machine guns alone.

The Shansi troops have now occupied both Taian and Tsining south of Tsinanfu, and if used in an energetic manner would embarrass Chiang Kai-shek's attack west along the Lung-hai. In any other country this attempt would be made, but help is not readily accorded here unless personal safety and advantage can first be made sure of.

The Hunan Front.

Very little is known of contitions in Hunan. Chang Fa-kwei with, it is thought the Kwangsi forces, has retreated to the northern borders of Fukien and Kwangtung. Contradictory reports state that Chang is about to enter Kwangtung, and that he also is coming to the assistance of the bandit Lu Hing-pang who in revolt against the Fukien government has been recently appointed governor of Fukien and Commanding Officer of the 8th army.

Chang's withdrawal from Changsha and Yochow was brought about by one of two causes; either he was grossly deceived in his recent agreement by Chen Chi-tang, who followed him with the 15th, 16th, 19th and 63rd divisions as reported in the last Situation Report, or Chiang Kai-shek brought about his retreat with silver ammunition. But in either case this retirement so lightened the pressure in the Wuhan area that Hankow can now send divisions to the Eastern front. The situation created by Chang Fa-kwei and his Kwangsi allies was the most serious that the gov-

[illegible] has yet had to face, and the rapidity with which it was liquidated is a tribute to Chiang Kai-shek.

The Peiping-Hankow Line.

There has been little fighting along the Pinghan railroad. The government line has advanced to Yencheng following the retreat of the invader from Hsuan. During the past week, divisions from this area have been transferred via the Yangtze River and Pukow to the Eastern Front.

3. The American Legation to Shanghai

On June 14th the local press reported that Mr. Johnson, the American Minister, had recommended that the Legation be moved to Shanghai, that the American Legation Guard be discontinued, and that Mr. Stimpson was giving the proposal careful consideration. This item created a furore in Chinese and foreign circles. The Northern Chinese in view of the progress of the war, being particularly perturbed, and the Southern, for the same reason, extraordinarily elated.

The British are of the opinion that if our Legation moves that they must follow. Probably the British, even more than the Americans, favor a move to the Yangtze, since there they have their chief investments, and there was formerly their "zone of interest." From conversations with members of the British Legation, however, one gathers that they do not believe the time for definite action has arrived. They most certainly are advocates of a capital on the Yangtze, and are only deterred from moving to Nanking for two reasons: first, the impermanency of the Nanking government, and second, the cost of the undertaking. The Legation here has submitted an estimate to the Foreign Office showing that it would cost three million sterling to build a suitable plant in Nanking, and they are not inclined to spend that sum when there is a good chance that they might never take possession of the installation. They are strongly opposed to the establishment of their Legation in Shanghai, for what appear to be very cogent reasons. In the first place, they deem that placing a Legation in a foreign controlled settlement would be a gratuitous insult to growing Chinese nationalism. (For reasons of sanitation, safety, and efficiency the Chinese City has never been considered.) In the second place, they desire a certain amount of isolation from Shanghai's local problems, and from the commercial interests vested there. They feel that in Shanghai there would be the practical certainty of being drawn into local feuds and local commercial controversies, when above all else they desire to take the larger view of Chinese affairs. They do not desire to become a Consulate.

The British feel also that while by moving to Shanghai they would come closer to the capital, they would not have reached it, and that after all the nation's capital should be their goal. They in this regard favor Shanghai little more than Peiping. They do not feel justified in giving up their fine installation here except as they actually improve their relationships with China.

Again the British are not convinced that from a political and military standpoint, they are far removed from China's center of gravity while in Peiping. Certainly the weight of Manchuria alone moves that center north of the Yangtze, and to abandon the hub of information so laboriously established here, which above all is interdependant, would be unwise were not a more suitable location selected.

There is a general feeling that this of all times is the

least suspicious to announce the intention or the likelihood of moving to the South. The odds no longer favor the Southern Government in the present struggle, and it has long been the practice of the American as well as other foreign governments to deal with de facto conditions in China. With the possibility of two, three, or even four separate capitals, the contingency of an equal number of Legations can not but be considered. While China would undoubtedly be better off under unified and centralized control, the actualities of the present point to further decentralization.

4. The Customs Controversy.

Repercussions from Yen Hsi-shan's action in seizing the Tientsin customs as reported in the last "Comments" have been heard up and down China. The British are greatly incensed over the whole affair. At first they roundly denounced Mr. Simpson for taking part in so nefarious a scheme, but of late since success has apparently crowned Mr. Simpson's efforts and de facto conditions must be recognized, they are condemning Col. Bell, the ousted Commissioner, for his lack of tact in dealing with so delicate a situation. The Customs is--after all-- a British service. The Treaty stipulates that the Inspector General must be a British subject so long as British trade is predominant. The foreign staff of the Customs has always been largely British. So Sir Miles Lampson, the British Minister, is in a dilemma. One of his nationals has ousted another and has seized a very lucrative post. Representations to Nanking may bring trouble with Yen, and Nanking most certainly will resent any overtures to the South. The case has its comic side.

On the day following Simpson's seizure, the old Custom staff on orders from Nanking, did not report for duty and service was discontinued. Experienced men however, among ex-Customs and ex-Postal employees were not difficult to find and the day following the Customs was functioning again.

Then came Nanking's bombshell. It was announced that duties ordinarily collected at Tientsin would be paid on all shipments to Tientsin at the port of shipment. This meant that goods destined for Tientsin from Shanghai for instance, would pay a double import duty, one on leaving Shanghai and another on landing in Tientsin. Trade would be crippled and merchants penalized.

An attempt at a compromise is being made under the leadership of the British Minister, and it seems as though a part of the old Customs staff at least might soon return to duty, and that future collections instead of being remitted to the Nanking government would be impounded in Tientsin.

As a further embarrassment to the British Legation, Chu Ao-hsiang, Yen Hsi-shan's Director of Foreign Relations, announced the seizure of documents in the custom's code showing that Col. Bell had been keeping Mr. Maze--the Inspector General--informed as to Northern troop movements and shipments of arms and ammunition. This is apparently well authenticated and places both Mr. Maze and Col. Bell in a very uncomfortable position. Chu Ao-hsiang in reply to Nanking's demands for Simpson's deportation urges that Maze and Bell should with equal reason be forced to leave the country.

Manchuria is watching this struggle with great interest. If the powers are unsuccessful in maintaining the integrity of the Customs, and it seems as though they were to have a difficult task, Manchuria will certainly in the future make an attempt to sequestrate the receipts at

her own ports. Certainly a rupture in the very delicate relationship now established between Nanking and Mukden would bring about this event.

5. Kaleidoscopic Shantung.

Since the beginning of the present war, a condensation of intrigue, plot and counter-plot, cross and double-cross has been concentrated in Shantung. Political conditions there are a cross section of conditions throughout the country. Shantung's proximity and the fact that there are competant observers there, gives us a fairer insight into local conditions than in many other districts.

At the beginning of the war, the province was roughly divided into three districts. Tsinanfu was the center of Ch'en Tiao-yuan's area, which roughly extended along the Tsin-Pu railway north and south through the Province. On the east coast Liu Chen-nien held Chefoo and the Shantung promintory. Tsingtao was held by representatives of Nanking and was garrisoned by a small group of the government gendarmerie.

Ch'en Tiao-yuan courted favors from both North and South. He had turned his coat so many times in the past that neither trusted him, but each was anxious to obtain his support. Soon after hostilities had been decided upon, his representatives seized a large share of a government uniform order here in Peiping and it was thought that he had cast in his lot with the North. However, he was able to placate Nanking for this appropriation and deciding to accept Nanking's pay kept emissaries in Taiyuanfu in case a turnover was indicated. Chiang Kai-shek, suspecting this, transferred the larger half of Ch'en's troops to Han Fu-chu and although Ch'en was still Governor of the Province, put Han in charge of the Tsinan area and moved Ch'en to the southwestern part of the state where he remains still on tenter hooks.

This movement placed Han Fu-chu in a very important position. It gave him Tsinan and the control of the Yellow River bridge nearby. Accordingly Yen and Feng appointed Shih Yu-san governor of the province. Shih was formerly one of Han's lieutenants and his men and those of Han come from the same districts and have long been comrades-in-arms. It was thought by this move the peaceful occupation of Tsinan might be affected, since it was incredible that Han should resist Shih.

On the east at Chefoo with 35,000 well equipped troops, controlling Tsinan's destiny was and s till is Liu Chen-nien. His allegiance has been repeatedly claimed by both North and South alike. Liu is a champion fence-straddler and has lined his coffers with both northern and southern dollars. He formerly was known as a Shang Chen man. Shang Chen it will be remembered was the Chairman of the Hopei Provincial Government and being suspected by Yen was removed last year and given the empty governorship of Shansi, under Yen's eyes. So Shang's good graces were sought and he, through emissaries, endeavored to obtain Liu's support. Liu however did not implicate himself, since he did not dare to endanger his control of the Chefoo area by selecting the losing horse.

Nanking, desirous of obtaining Manchuria's assistance, withdrew from the Tsingtao area and gave control to Chang Hsueh-liang who promptly despatched five cruisers and occupied the city with marines. Recently a Mukden man has been appointed Mayor by both Yen Hsi-shan and Nanking. He has thought it wise to return to Mukden for advice and possibly assurance, before accepting his precarious mandates.

Tsinan, as reported under "The War" was occupied bloodlessly and Han retired in good order to Wei-hsien. But Shansi troops occupied Tsinan instead of those of Governor Shih Yu-san, who were shouldered aside.

Back of these puppets is Feng Yu-hsiang, who has long made no secret of his desire for Shantung and Shantung ports. Can he trust Shih as Governor, or must he in turn oust him?

At present Lin Chen-wuien has accepted the status quo and announces allegiance to the northern cause. Shih Yu-san, the governor, is obliged to view with equanimity the occupation of his capital and the adjacent strategic area by Shansi troops.

Chen T'iao-yuan's political appointees have set up a rival government in Tsingtao from which he is barred by his delicate position as one of Nanking's commanders at the front. Tsingtao's mayor is in Mukden getting instructions from Chang Hsueh-liang and Feng with unrevealable thoughts, is biding his time.

6. The Leaders of China.

It is impossible for China, or for any other nation to rise in cultural or intellectual stature above its leaders. The culture of a nation can be measured by that of its "big men." The future is capable of certain interpretations through these same men, for just as they are the products of a definite past, they indicate a certain future. True, it may be said that the "big men" of China are not her leaders. It may be held that they are the Hu Shihs or the Wang Ching-huis and while it is certain that the leaven represented by these men is slowly at work, still this argument does not hold. They, it is true, are the leaders of small and increasingly important groups. Feng Yu-hsiang, in his army alone, however, controls more men, and the destinies of more men than do all the intellectual leaders of China combined. China cannot yet be gauged by these few--she must be measured by her actual leaders.

The cultural level of China then, cannot during the time that she is under their control, rise above the plane established by Chang Hsueh-liang Feng Yu-hsiang, Yen Hsi-shan, Sun Tien-ying, Chen T'iao-yuan, Chiang Kai-shek, or Chang Fa-kwei. And in this list there a drug fiend who has other moral aberrations, a traitor twice over, one who obtained control of his province by the murder of his colleague, a grave robber, a turn-coat and political shyster, an opportunist with a warrant out for his arrest, and a rabid communist. There is not a disinterested Chinese who would accept in Western fashion the oath of any one of them. And they are the leaders of China!

There are currents in Chinese life today which in the future will wash these men or their successors from their high positions. In the West it is these tendencies that are noted, although they are not accurately measured. The West is prone to confuse asservation with accomplishment and to accord China the recognition her articulate though unrepresentative minority so clamourously demand. There is a sentimental attitude of mind which refuses to look reality in the face and an increasing inclination to proclaim that "All's right with the world." It cannot be too often asserted that while happily cultural uplift is indeed eventuating, its progress is infinitely slow.

Sometimes one even sees retrogression. For example there are more bandits today in China and the peasants lot is harder than it was under the rule of the Empress Dowager. Again, during the famine of 1878 in Shansi and Shensi the national government donated 2,000,000 taels to famine relief work, while during the famine of last year in the same area little or nothing came from governmental coffers. But despite these occasional lapses constructive forces are at work which yearn from now, perhaps hundreds of years from now, will liberate China from the toils of her past. To China a hundred years is as but a day,--to the West as an eternity.

The old Chinese proverb which runs "Nails are not made from good steel, nor do soldiers come from the best people," is no longer in vogue. Even ten years ago the soldier's profession was generally relegated to the bottom of the list of callings. But today Chinese are anxious that their

sons receive military training, because they see that all the plums are being plucked by the soldiers. These men at the head of the nation, directing the destinies, through their armies alone, of over two million men, are surely stamping young China with their seal.

Youth must inevitably question, "Did these men come in power through being honest, through being just, through being kind? Were they loyal to their trusts and to their superiors?" And the answer that youth makes is bound to affect youth's future.

In the ethical system of China there has never been any dishonor placed upon falsehood. Confucius, in a casual manner, lied to the caller at his gate. Students think that this may account to some extent for the mendacity of the Chinese race. But how much more important to the succeeding generation will be the negation of virtue portrayed in the names and mirrored in the lives of China's present leaders.

7. Miscellaneous Notes.

Formation of a government at Peking.

Citing three reasons why a government should be formed immediately in the North, advice from Taiyuan on June 28, stated that the task of organization will be placed in the hands of Yen Hsi-shan, Feng Yu-hsiang, Chang Hsueh-liang, Wang Ching-wei, T'ang Shao-i, Hsu Chung-chieh and Li Tsung-jen. The three reasons are said to be:

1. Both Lefts and Rights are agreed that a government is needed.
2. Marshal Chang Hsueh-liang cannot be expected to co-operate until a government has been formed. (This for some reason beyond the ken of the foreign mind.)
3. The Allies cannot secure foreign diplomatic recognition without a government.

In this Council of Seven are included all the discordant elements which have temporarily banded themselves against the government. Chang Hsueh-liang and Tang Shao-i will probably be surprised to see their names included. If this Council actually sits, it is difficult to visualize any unanimity of action on any ground on which mutual interest could be discussed.

The Moscow Conference.

While Moscow demands the full acceptance of the Harbarvosk Protocal before beginning the conference, Mo Teh-hui demurs and the meeting is still not formally opened. Private conversation between Karahan and Mo are taking place, however, which may prove of some benefit.

Mukden Official namedMayor of Tsingtao

Hu-Ju-yu who was appointed Vice Minister of Public Health at Nanking two months ago, was on June 20th, selected as Mayor of Tsingtao. This is an open bid for Mukden's favor. Mr. Hu is now in Mukden whence he went to consult Chang Hsueh-liang before assuming office.

Chu Ao-hsiang, Yen's local representative states that Yen's appointment of Mr. Hu to the same post ante-dates the Nanking mandate by over a month. Still another bid for favor.

Imperial Tombs Desecrated.

Prince Pu Hsu, brother of the former Manchu emperor, protested recently to the Hopei Provincial Government against the looting of his ancestral

tombs at Fangshan-hsien, southwest of Peiping. The Prince claims his "ancestral halls" have been broken into by bandits and dispoiled of all treasures. In this connection it is interesting to recall the scandal of some eighteen months ago when the more famous Eastern Tombs were pillaged. It will be remembered that a trial ensued and that the public vociferously demanded the punishment of the culprits. Sun Tien-ying, who is generally regarded as having been responsible for that desecration, is at present high in the favor of the allied leaders and still is at the head of his 5th Route Army.

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Forwarded.

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WAR DEPARTMENT
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1. [redacted]
2. The War.
3. The Situation of Troops.
4. Hostility and Communism.
5. Miscellaneous Matters.

RECEIVED G/2 W. D. AUG 25 1930

1. General.

Education has come to both government and allied troops in the most important war sense. The fierce sun beating down upon the sandy plains along the Lunghai renders effort painful and sporadic. Stamina has been undermined and the seventeen to twenty year old boys forming a large percentage of Chiang's armies have had a surfeit of war and have lost their ardor for combat. The war lined veterans of the Kwominchun bear up more manfully, but the intense heat has its effect upon all. Minor engagements have been fought on all fronts, but no strength remains for a decisive battle. Chiang, Yen and Feng have announced that they will win the war in another month. Cheering word to their commands so war weary, but aside from compromise, impossible of fulfilment.

Reports emanating from Nanking and from military observers in the south to the effect that a government offensive north along the Tsin-pu with Tsinan as an objective is about to commence, are not regarded seriously. In the first place Chiang would expose a very vulnerable flank to the Kwominchun by such a movement, and in the second, would never have surrendered Tsinan so easily had it been of strategic importance to him. But perhaps still more important is the fact that there is neither the strength nor the will for another offensive. Patients with self-inflicted wounds are becoming more and more plentiful in southern hospitals.

Each leader is scheming a master stroke which will win the war without the sacrifice of more men. From the condition of the combatants it is difficult to determine what that master stroke will be unless it is based on compromise and accomplished through treachery.

2. The War.

On the Lung-hai front the line runs roughly from Yehchikang to Suichow to Taikang to Chenchow. (All Government.) Formerly it was well defined, but due to the walled towns which have been seized by either side, it is now very irregular. Each small village in the neighborhood has a small wall and often a moat around it. Most peculiar situations have arisen around these walled towns. The Kwominchun seized and occupied one, Liu Chih surrounded it, then the Kwominchun encircled him until, according to many various reports, there were five rings of combatants. Such a condition is difficult for the westerner to comprehend, but war in China is a game of chess after all. The rules demand that king be moved when threatened, or that the pawn move but one square. When a flank is threatened a retreat is indicated, when a command is surrounded the rule is to surrender. The period under review has seen no changes or no serious hostilities in this sector.

From M/A

Report No. 7771

July 14, 1930

On the Shantung front Han Fu-chu, although not pressed by the [illegible], has retreated along the Tsinan-Tsingtao railroad east of [illegible] to Ch'ingchow, while Shansi troops follow from Pochang and [illegible]. There has been no serious fighting in this zone. Manchuria has indicated that Han will not be allowed to enter the Tsingtao area and Yen's expected withdrawal south to Chiang's aid has not materialized. Han likely, is loath to leave Shantung and doubtless would be glad to share the province with anyone.

The Government still holds Yenchow on the Peking-Nanking railroad. This sector has also been quiescent.

In the South the Government Sixtieth and Sixty-first divisions which are reported both at Hengchow and Changsha, have received orders to move northeast to the Tsin-Pu railroad. The movement has not yet been begun. Chang Fa-kwei and his Kwangsi allies have divided and two army corps and a division are reported at Kweilin in Kwangsi, and another two army corps and division are known to be near Kwanhow in southern Kiangsu. It would seem as though Chang's plan might be to attack Canton from these two positions, since that city has long been his goal. Truly the "Ironsides" have distinguished themselves as marchers. In a little over a year they have marched from Shansi on the Yangtze to Pakhoi in southwest Kwangtung, then back to Yochow again on the Yangtze and now they again threaten Canton. During this time the engagements they have fought have been in the hundreds. The terrain they have covered is the worst in China.

3. <u>The Paradox of Trade.</u>

In spite of the wars which have surged to and fro through the length and breadth of China for the past two years, there continues to be a healthy increase in foreign commerce and a steady growth in domestic trade. Chinese business is not dependent as is western, upon political stability. China has a trade resilience which can only be due to the inherent trade qualities of its population.

To explain this phenomenon it is necessary to explore the relationship between the government and the people. The mass has never looked upon government as an aid in its struggle for existence. There have been public works in China, it is true, but these were erected not so much for the benefit of the people as for the profit and safety of the ruling dynasty. Government means only tax collecting. Taxes have until recent years not been excessive, but the tax-payer has never been given any value for the sums paid. Instead then of looking for help from the government the Chinese have from their early history, looked for extortion. Business has never been aided by the government, but has prospered in spite of it. There seems a constant attempt on the part of the rulers to take trade out of existence. Obstacles to commerce in the nature of likin stations, stamp taxes, luxury taxes, squeeze, are on every hand and are increasing now with great rapidity. Freight rates, set by officialdom are now so high that it is cheaper to use camels or coolies for transportation in some districts than railroads.

Were it not for the fact that business has developed a sort of immunity to government interference, and to war, through many generations growth would be impossible. Foreigners dealing in China feel the strain first and many concerns have closed their doors because of the impossibility of obtaining sufficient protection.

In spite however, of this inherent strength, the almost incessant strife of the past four years is beginning to have its effect.

As soon as a business prospers the tax payable is increased. In order to avoid this increment it is becoming the policy for big concerns to invite political co-operation. Politicians become partners and the minimum tax is secured. Big business only is, of course, protected in this manner. The small concerns continue to suffer.

It is believed that the Chinese tradesman can probably stand further years of war and its consequent evils. But the end is not infinite and in injuring this class, China is weakening one of the main buttresses she has against the growth of "reds" in the South-Central provinces.

4. Banditry and Communism.

Within the past two weeks Yochow has been captured by and recaptured from communists. Shasi has been besieged and Hsiangtanhsiang forty miles down the Yangtze has been sacked. The growth of this disturbing element of unrest which has so often to be reported in these "Comments" continues steadily.

Should a personality large enough to unite and dominate these roving bands emerge from the present chaos, imagination falters at the outcome. So long perhaps, as these bands remain more or less independant their conquests will be localized, but under unity of leadership their program would assume a national aspect. The much feared amalgamation between Chang Fa-kuei and the Kiangsi bands did not materialize, but the poison is growing stronger throughout the Central China area. Born through civil war, through injustice, through lack of food and propoganda from Moscow, nourished by returned students from abroad and professional agitators, encouraged by rival commanders, condoned by a powerful Left Wing, this poison begins to penetrate the fibre of national solidarity. The antidote, a strong clean government which can correct economic injustice and bring peace to a peace-loving people, is not yet in the process of formation.

5. Miscellaneous.

Administration of the Tsinan-Tsingtao Railway.

With the appointment by Yen Hsi-shan of a Shansi manager of the Tsinan-Tsingtao Railway while the Nanking appointee still functions from Tsingtao, Japanese fears for the interruption of service and revenues have been increased. Because of the chance of another boycott the present Japanese government will apparently accept with equanimity Chinese actions which formerly were ragarded as insults. The Japanese officials on the road are doing their best to keep it open, but Han Fu-chu on the east and the Shansi Commander, Fu Tso-yu, on the west refuse to guarantee the safe passage of trains through the zones in front of their armies. Through service has therefore been suspended and payments to Japan have lapsed.

The New Shantung Provincial Government.

The American Consul at Tsinanfu, reports that while a nucleus for a provincial government has assembled in Tsinan, there is a hesitation about assuming duties in earnest before the finish of the present struggle. He further states that there is little harmony in the groups gathered since Shih Yu-san and Yen Hsi-shan cliques have little common ground.

Fate of Shantung Judges.

During the first part of the month in the interval between Ma Hung-kwei's evacuation of Tsian, and its occupation by the Shansi forces, the "Red Spears"-a secret semi-bandit organization-sought revenge from the local judicial officials. Alleging that their fellow villagers had been imprisoned illegally, they seized a Chief Justice, a judge, an inspector, and several subordinates, all of the Tsian District Court. The Chief Justice and inspector were shot, while the fate of the other captives is unknown.

Growth of Shanghai.

On June 22nd, the Bureau of Public Safety of the Chinese Municipality of Shanghai published figures giving Shanghai a population of 2,927,808. If these figures are correct this would rate Shanghai among the largest cities in the world. Shanghai's phenominal growth has been due in large part to foreign enterprise as well as to its geographical position.

Assassination Plot.

Hwang Po-yao who is alleged to be Chiang Kai-shek's lieutenant and organizer in the North of a plot to assassinate all the Left Wing leaders of the Kuomintang resident here, as well as various allied commanders, was arrested on July 4th. Coupled with rumors reporting attempts on the lives of Chiang Kai-shek and Feng Yu-hsiang, this news has a disquieting effect on Chinese leaders, who fear the custom so prevalent in Imperial days may be revived.

Ceremonies at Hulutao.

Attended by representatives of all powers and factions having interests in North China, representatives of Nanking, of Feng, of Yen, of the South Manchurian Railway and the Soviet Consul-General at Harbin, simple inauguration ceremonies for the Hulutao Harbor construction work were held on July 2nd. This ceremony is more completely covered in Report No. 7767.

Marshal Chang Hsueh-liang, who was made the target for speeches by the delegates from the warring factions, apparently showed no interest in the presentation of intra-mural differences.

Sino-Russian Conference.

Mo Teh-hui and Mr. Karakhan are still unable to find a common ground on which to formally open the conference in Moscow. The difficulties reported in previous "Comments" still exist. Since Nanking has failed to remit money for the expenses of the delegates, they may be forced into the delicate and embarrassing position of becoming guests of the Soviets.

Plenary Session of Kuomintang in the North.

On July 13 at 2.30 p. m. a Plenary Session of the non-conforming elements of the Kuomintang was opened in Peking. The discord reported in former "Comments" between Left and Right Wing elements has been effaced for the time being. This conference while not representative of the Kuomintang as a whole, may be said to fairly represent fifty per cent of its members.

The Second Executive Committees of both Shanghai and Canton

endorsed the meeting held here in Peiping.

On July 14th a declaration prepared by the Plenary Session was issued in which Chiang Kai-shek and the Third National Congress were pilloried and the intention of convening another and legal Third National Congress in the shortest possible time was made public.

Resolutions carried at the meeting call for:

1. The discrediting the Third National Congress and the activities of the Kuomintang under Chiang Kai-shek.

2. The Convocation of a Third National Congress.

3. The Consolidation of efforts and interests for the purpose of winning the present war.

The declaration was signed <u>in absentia</u> by Wang Ching-hui, Feng Yu-hsiang and Yen Hsi-shan as well as lesser luminaries.

Marking as it does the successful conclusion of the attempt of both Left and Right Wing members to find a common ground, and forecasting another National Congress, the Plenary Session is of moment.

Differences patched up, are likely to break out again, but for the time being the North presents a solidarity, the lack of which has militated against success in the past.

Parker G. Tenney

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COMMENTS ON CURRENT EVENTS

July 15--August 11, 1930

1. General.
2. The Military Situation.
3. Communistic Activities.
4. China and World Progress.
5. Wang Ch'ing-hui and the Plenary Session.
6. Miscellaneous Notes.

RECEIVED G/2 W. D. SEP 12 1930

1. General.

With the continuation of the war between the Central Government and the Allies despondency and gloom deepens over the "Flowery Kingdom." Vital questions are being raised in the minds of China's well wishers and the efficacy of the "hands-off" policy is being questioned. Crops which throughout the country are plentiful are not yielding their possible harvest because of war and shortage of man power. Wounded soldiers returned for hospitalization in the regions of Nanking and Shanghai are in an ugly mood and the fear is expressed that their lawlessness may indicate that to be expected when the war is over and the combatants have been returned to their former stations. Communism is rife on the Yangtze, Communism with a decided anti-foreign trend. Changsha has been looted and the Red spoilers have now evacuated with many hundreds of thousands of dollars.

In Peiping an augmented Conference of the Central Party Headquarters is endeavoring to form an opposition government under the leadership of Wang Ch'ing hui, the favored disciple of Sun Yat-sen.

It is not known how China can lift herself out of the mire. Her every struggle seems to but sink her deeper. Lawlessness is increasing and hope in the future waning.

Huge sums of money are being expended on the war. New claims against the government have arisen from the Changsha outrage while only about one-half of the stipulated amounts have been paid the foreigners who went through the "Nanking incident" some three and a half years ago. Still C. T. Wang says that the government assumes full responsibility. In the final analysis this responsibility is not arduous to bear. It entails a postponement of payment until payment is long overdue and no assurances that these "incidents" will not occur again. It is a verbal recognition of a responsibility which can in no sense be fulfilled verbally. The Chinese government does not have the power to protect foreign lives in China. Had C. T. Wang been successful in barring the Yangtze to foreign gun boats, a course often applauded by China's so-called well wishers, how many foreigners would have been butchered at Changsha? and again Wang would have assumed responsibility.

Soporific phrases intended to assuage the suspicions of Western powers are rapidly depreciating in value.

2. The Military Situation.

The astute schemer Yen Hsi-shan has fallen prey to the blandishments of Han Fu-chu. Han, hard pressed along the easternsection of the Kiaochow railroad in the Tsingchow-Weihsien area, on July 28 sent Yen a wire expressing his willingness to turn over and the wish that his army be incorporated with that of Shih Yu-san. At the time this telegram was re-

ceived he was in a very precarious position and an advance in a south-easterly direction by Shansi would have sealed his fate. He, however, insisted that he be given time to make arrangements for surrender to Shih Yu-san and was in the meantime given reinforcements consisting of the 53rd division, which arrived from Pukow in Tsingtao on the first of August. This 53rd division while composed of former T'ang Sheng-chih troops, turned the tables and Han decided to remain with the government. On August 8th supported by this division Han attacked the Shansi troops, who had been weakened by sending reinforcements to the Tsinpu front and on August 8th drove them from the west bank of the Tzeho to the Yang ho. It is reported that further reinforcements are reaching Han at the present writing.

Liu Chen-nien, occupying a position north of Kaomi is receiving funds and munitions from both sides and is very likely to prove an embarrassment to Yen or Han Fu-chu at any time. He however is particularly interested in his own place in the sun, and will not, unless forced to do so, give any loyal co-operation.

The Tsinpu-Lunghai Areas.

Chiang Kai-shek at the moment is making a very masterly attack up the Tsin-pu. While this office has stated and still maintains, that the final decision must be reached on the Lunghai and thought an attack north along the Tsin-pu out of the question because of Feng's threat on the left flank, Chiang is now making what may best be described as a limited objective attack. He has moved ten divisions to this area and is attempting to recapture Tsinanfu. On August 9th, he drove the Shansi elements from Taian. They have retreated to Chieh-shou where the railroad enters a pass and which is easily defended.

This attack has been made possible through the elaborate defensive system Chiang has established in the neighborhood of the Lunghai and along his left flank. He is not committing himself greatly since his troops may be moved back rapidly in case Feng becomes dangerous. A drive further north than Tsinanfu is out of the question, and only the defense system mentioned above and the poor quality of the Shansi troops at his front permits him to make the effort.

Feng started a drive east on the 4th of this month, and while he has reported the capture of Kueiteh and Mamutsi, there is a lack of confirmation. Feng however is a dangerous enemy and should he win signal success now along the Lunghai, Chiang would be placed in a very embarrassing position.

For conditions in the Shansi and Kuominchun camps, see Report No. 7790. There have been reports from Shanghai of trouble in Feng's back areas, and it is certain that the Allies at the present writing are seriously endangered. The excessive rains which are bound to slow up Chiang's attack may help Shansi, but it is not considered unlikely that Tsinan may fall again.

Other Fronts.

Quiet reigns on the Peking-Hankow front which has been practically denuded of troops.

Cantonese sources report that three divisions of Yunnan troops have captured Naning in Kwangsi, where Chang Fa-kwei and Li Tsung-jen are recuperating from losses received in Hunan.

3. Communistic Activities.

While a well organized Communistic army was attacking Nanchang in Kiangsi, two other groups joined together and totaling about 110,000 men captured Changsha. Ho Chien's garrison put up a weak defense along a line about twenty-five miles south of the city, but when out-manoeuvered abandoned Changsha without a struggle on the 28th of July. Well authenticated reports state that some hundreds of "Reds" had secreted themselves in the city some time previously and that their activities and a mutiny of a part of the garrison aided the bandits.

The U. S. S. Palos on the 31st, and later the H. M. S. Apis and two Japanese gun boats joined a Chinese gun boat in firing on the Communists and it is reported accelerated their departure. These gun boats evacuated the foreign population.

According to Rengo (Japanese agency) reports the 2nd and 10th Red Armies attacked Changsha, the 3rd, 4th and 16th attacked Nanchang, and the 1st, 5th, 6th and 8th armies plan to attack the Wuhan area. It is thought that calling these groups armies is too formal a designation. While some organization does exist and while according to the best reports some units are well armed, they are, as yet, little more than bands. There has been, however, a certain amount of synchronization in their efforts which shows that an attempt is being made at organization and centralization of control. As has been pointed out in previous reports, these groups would present no particular menace now to well equipped and organized troops, but if they are allowed to expand and to organize they will become a dangerous foe. Since Chiang Kai-shek will probably refuse to move troops for their suppression, from the war area during the present struggle, it seems as though the time element favors them. Many of Ho Chien's Hunnanese troops are at least sympathetic with the rebels and cannot be expected to be effective against them.

The losses in Changsha city were enormous, and the Communists coffers are now well lined, since all the available specie in the city has left on either of the two ends of a coolie's pole. The bankers alone contributed about $700,000.

The policy followed in the looting of Changsha did not differ from that followed in other places previously. Only the well-to-do, the foreigner and the so-called "running dogs" of the foreigner were molested. The foreigner, fortunate in having a gun boat on the river lost but his property, but many of the local gentry, of the Chinese in foreign employ and those in foreign clothing, lost their heads as well. The coolie class was placated with permission to loot. All public buildings and public records, including of course, land deeds, were burned. The Changsha coolie would be glad to have the Communist come again, and many were recruited to the Red flag.

The Red army started evacuating the city on August 1st and the final detachments were driven out by Ho Chien, who had received reinforcements on the 5th. Although reports have stated that the Communists retired in every direction, it seems that the main body at least, left in a northeasterly direction as though heading for Kiukiang. That city as well as Nanchang appear to be Red objectives, although at the present writing it is reported that the seige of Nanchang has been lifted.

Closely synchronized with the attack on Changsha and Nanchang was an attack by about 2000 bandits about forty miles north of Hankow, which cut the railroad for four or five days and threw Hankow in a panic. The electric light plant in Hankow proper was tampered with and many arrests of suspects have been made.

It is impossible to state accurately the number of armed Reds in the Yangtze valley. A rough approximation is 45,000. Likewise it cannot be learned just how well they are equipped. The French Military Attache states that one group possesses airplanes. For some time it has been known that they have field guns, and it would seem that with the wealth pillaged from Changsha they should be able to purchase much more equipment.

A mutual war of recrimination between the North and the Government has lately lightened the tragedy of the situation. The government claims that the uprisings have been instigated by Wang Ching Wei and the northern militarists, while the North states that Chiang Kai-shek has invited the catastrophe by denuding the area of his troops. Both sides are right. The North has undoubtedly encouraged revolt throughout China and Chiang Kai-shek by a war for personal aggrandizement has made these revolts possible.

The country is being sacrificed on the pyre of personal ambition while the flame is livid and the smoke putrid with platitudinous propaganda.

4. China and World Progress.

Because the world could not wait Peary knocked at Japan's door on July 3, 1853. Because the world could not wait the Allies marched to Peking in 1860. Two great canals, Suez and Panama, were cut through countries who by their backwardness were slowing up the march of progress. Countless examples could be quoted showing the tendency to take the talent from him who does not make the best use of it and to give it to him who does. The moral side of the question may be argued, but uselessly, since the physical laws involved do not permit of moral interpretation. Progress is as evolutionary as the survival of the fittest, and just as ruthless. He who would turn back the hands of time meets the cumulative forces of centuries which by storing and increasing man's knowledge irresistably drags him from his arboreal home to the responsibilities of civilization. The individual or the nation which in blind ignorance or in pitiful helplessness stands in the way or attempts to push back this enormous force, meets the fate laid up for all who transgress nature's laws.

To the simple statement that China is impeding world progress, this preamble may seem over long. But there has grown up a fund of sentimentality in the world which is gnawing at the vitals of reason. Courts listen solemnly to murderer's pleas of temporary insanity, courts-martial disregard the fact and insist that intent be shown in desertion, convicts must have radios and clean sheets, and for fear of insulting Chinese Nationalism, which is pure fiction, permission is seemingly accorded China to run amuck. Missionaries are murdered, consulates burned, treaties are ignored, vested interests destroyed, and China is still given more rope. Never has a weak nation received such gentle and considerate treatment as has China. Her every short-coming has been condoned. Her friends have made every excuse for her. And what is the result? Has she made the most of the benefits conferred? Has she returned good deed for good deed? Is she making any attempt to enter into the spirit of this generation? Is she by her co-operation making the affairs of the world run any smoother? Has the United States as China's best friend won her respect and affection? Emphatically no!

The real friends of China are not the ones who wish to give more rope. They are not the ones who see in grandiose schemes national reform. They do see however, that there are forces at work within the Chinese themselves, which if given protection, will ultimately work out China's salvation. They are the ones who see that these forces will inevitably

be crushed by war and chaos.

Not far from Peking a man named Yen has established an experimental station, largely with Chinese funds. At this station with the modicum of advertisement he is endeavoring to make the farmer's lot easier by bringing scientific knowledge to his aid, by teaching him to read that he may enjoy his leisure, and above all by saving him money. At this station a pump has been invented which is cheaper to construct than the former Chinese pump, and many more times efficient. Real help is being given the man who for centuries has received nothing but abuse.

There are not many such stations or such efforts in China. They are one of the most worth while signs in China today. But what would happen to this station, to the ideas which this station stands for, were a war to run over the immediate countryside, or if a band of bandit-communists should pillage the district? And under the existing conditions either one or the other of these eventualities is more likely to occur than not.

The real friends of China are those who believe that the day is not far distant when the three great Powers, the United States, Great Britain and Japan will conduct an experiment in China such as we have conducted in the Phillipines. And these real friends of China would include many Chinese were they certain that this protection and tuition would be withdrawn when no longer needed.

It may be said that such a course would be dictated by selfish interests alone, that the desire for commerce would be paramount. While this might be the case, and certainly such a course would bear rich interest, the humanitarian assistance to the down-trodden and tax-ridden peasant would be incalculable.

The present war will not be over ere another war will start. A weak and impotent government is helpless to stem the tide of banditry, communism, and civil strife. What chance have the forces of civilization under such conditions?

We take the student to our shores, show him how to plant, water and care for our prized tree of civilization, and then returning him to a country overgrown with rank weeds, and covered with rocks, we sit back to watch his attempts to use the knowledge we have given him while even the tree itself laughs at the experiment. We are not helping China, and more and beyond that we are conniving at an attempt to slow up the inevitable rush of Progress, which now more than ever before, disregards geographical boundaries and racial prejudices and demands co-operative effort on the part of each member of the family of nations.

5. Wang Ch'ing-hui and the Plenary Session.

Wang Ch'ing-hui on whose shoulders fell the mantle of Sun Yat-sen arrived in Peking on July 24th. His train was preceded by a pilot and the station resembled a military camp as he alighted. He is being closely guarded at all times.

Wang has arrived to attend the enlarged Plenary Session which has as its purpose the formation of an opposition government and the convocation of a peoples' conference, at which all China (sic) will be represented.

Wang Ch'ing-hui is not the fiery Red of former days; not the impassioned soap-box orator who was to be found harranguing the coolie and peasant. His utterances and perhaps his views also, have been tempered by his association with the Rights and with gentle-mannered Yen Hsi-shan.

But capitalistic Shansi regards him with suspicion.

Yen Hsi-shan, who speaks politically for Feng, is not in favor of forming a government until he has won a decided victory. His reasons are two. In the first place, he fears the ridicule and loss of face which would follow an abortive attempt, and in the second, he hasn't the funds to maintain a group of politicians. The Chinese with their ever ready sense of humor call a politician, cheng ke, or guest of the government, and Yen does not care to represent the government until he has won the war.

Wang Ch'ing-hui, on the other hand, feels that a government should be formed at once. He feels that its formation would give Yen and Feng political and diplomatic support and that the dissastisfied members of the Kuomintang from all over China would flock to its support. He states that the erection of a government here will cause the collapse of Nanking.

This last seems a very specious argument. Yen has been very careful to state that he is not waging war against Nanking, but against Chiang Kai-shek. In his subtle Chinese way he has thereby left hope in the minds of the Nanking officials in the event of their defeat. He does not wish them to think that Nanking's defeat will mean their extinction. Wang's desires to form a government may make "bitter enders" of Nanking officialdom.

The two, Yen and Wang met in conference in Shihchiachuang on August 4, and Yen apparently agreed conditionally to Wang's demand for the rapid formation of a government. The conditions are believed to be Mukden's assent and a larger representation of party fathers.

Upon Wang's return to Peking a formal meeting of the Plenary Session--also called the Augmented Conference of the Central Party Headquarters--was held at which on August 7, a wordy manifesto was issued. This message may be summarized as follows:

1. Statement of the reason for the convocation of the Plenary Session, to wit, the assumption of dictorial and arbitrary powers by Chiang Kai-shek and the consequent need of his extinction.

2. A list of the teachings of Sun Yat-sen which Chiang has disregarded and which are adopted as planks in the northern platform. This platform therefore pledges:

   a. A Peoples' Assembly which shall dictate the law of the land.

   b. A Bill of Rights.

   c. Education of the Masses.

   d. Demarcation of Party and Government.

   e. Formation of local organizations having a voice in local and national affairs.

   f. Opportunities to be given non-party men to take government office.

   g. Demarcation of Central and Provincial powers.

In an interview given representatives of the press shortly after his arrival, Wang Ching-wei made the following statements:

"The people have less democracy than they had under the militarists."

"The purpose of the revolution is to obtain democratic government, but instead of this from Chiang Kai-shek, they are getting a dictatorship so now I feel I must oppose Chiang in the interests of democracy."

"After the military situation is settled, there must be a national movement to suppress the Red bandits in the south."

"There was no need to provoke a war with Soviet Ruddia last year, but this was typical of Nanking's mistaken policy."

"It is desirable to restore diplomatic relations with Russia just as Britain has done. But those relations must be on a footing of absolute equality and there must be mutual trust."

"The Soviet has broken faith with China and we cannot go back to the old close system of dependency and imitation of Russia."

"In the new government it will be necessary to employ party men in matters political, but technical experts will be used irrespective of their political views."

It will be interesting to note whether Wang Ch'ing-hui in his new role will have the following he did in his old. As leader of the extreme Left he was the idol of the student and the socialist as well. It is doubtful that the Lefts will follow him to his now moderate position.

6. Miscellaneous Notes.

Peiping Postal Strike.

In spite of the fact that unions composed of employees of the various communication services have been disolved by Nanking, the Peiping Postal Union went on a "go slow" strike on July 23. The union demanded a substantial increase in wages to meet the high cost of living in spite of the fact that this is the best paid service in Peiping.

The "go slow" strike lasted three days. During the period stamps were not cancelled and unstamped mail was forwarded to any destination. At the end of the three days, when the strikers saw thatuunstamped mail was paying double at the point of destination, the "go slow" strike ended. From that time except for a continuous meeting of representatives of the union on postal premises, and the refusal to forward stamps to sub-stations for sale, there has been no further action taken.

The local authorities do not dare to intervene until the union has by some untoward act given them legal grounds. Yen Hsi-shan has taken no action.

The China Merchants Steamship Navigation Company.

Due to the fact that this steamship company has been under governmental control about two years ago and that its bottoms have been used largely in troop transportation, the monthly income of the company has been reduced to about $80,000. The overhead amounts to some $300,000.

Execution of So-Called Reds.

Since the Changhsa outrage, Hankow and Canton have witnessed

daily execution of alleged Reds. The ordinary processes of law have been done away with and Reuter reports that in Canton "persons catching Red suspects themselves with government sanction are trying, condemning and executing them as communists."

Ban on Religious Teaching.

Nanking has refused the petition of twelve missionary bodies requesting that the recently promulgated regulations which prohibited the teaching of religion in primary and junior-middle schools, be revoked. This by many missionaries is thought to be the final blow to missionary educational work in China. Some schools, although supported by missionary funds, will continue to function. The missionary camp holds two parties; one which believes it dishonest to use funds which were expressly given for Christian teaching for non-secular instruction, and the other which sees no dishonesty in this use.

Back of this movement for the abolition of Christian teaching in Chinese schools, is a narrow nationalism rather than any anti-Christian feeling. Chinese themselves will admit that practically the only schools giving first class education or advantages are mission supported. It has been stated by a prominent Christian educator that the Chinese by this sort of action wish to get control of the schools and the school funds themselves and that the semi-educated politician class fears competition with the better educated mission school product.

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COMMENTS ON CURRENT EVENTS

August 12-25, 1930

1. General.
2. The Military Situation.

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1. General.

On August 15, after a rapid advance up the Tsinpu railroad which met with little opposition government troops entered Tsinanfu taking many prisoners and capturing large quantities of supplies, including thirteen trains loaded in preparation for crossing the Yellow River. With this re-occupation of Tsinanfu by government troops the opposing forces on all fronts are now in about the same positions occupied when Chiang Kai-shek started his offensive along the Lunghai on May 8, 1930.

Indications are that when weather conditions permit Chiang will begin his offensive again directed along the Lunghai as he did in May. After four months of war during which both sides have lost heavily neither side has gained a decision, although at present the government occupies the stronger position and should be able to inflict serious damage, if not gain a decisive victory over the Northern Coalition before the end of the year. During the period of active operations the people, including foreigners, have been outraged by bands of Communists and brigands who have been permitted to loot, kill and burn without opposition, in addition imposition of heavy taxes has become such a burden that business both foreign and domestic is being paralized.

Early in August Changsha, the capital of Hunan, was delivered over to a Red horde who after a carnival of killing, looting and burning, withdrew loaded with their ill-gotten gains and captured influential persons to be held for ransom. Following the Changsha outrage it was reported that the Wuhan area was to be attacked by combined bands of Reds with Hankow the principal objective.

Those foreign powers having naval units available hastily assembled a large fleet at Hankow, the British even sending a battalion of troops from Shanghai. The crisis quickly passed with no indications of disorder and the Wuhan area is reported quiet and normal again.

However, there remains a threat from the direction of Changsha, this will become a serious menace in early November when the river goes down and gunboats will have to withdraw; unless troops are dispatched for the protection of Changsha and the surrounding country, it can be expected the Reds will return and may even reach the Wuhan area.

The political stage has been transferred to Peitaiho and the curtain rung up with Chang Hsueh-liang appearing in the leading role. On August 15, the date on which Tsinanfu fell to Chiang Kai-shek, a report spread rapidly that the Young Marshal was dead, having been assassinated and that Fengtien troops inside the Wall near Shanhaikuan had mutinied in favor of Nanking.

The report of his death proved to be false, but there was defection among certain units which was quickly suppressed (see Report No. 7800) and investigation disclosed that some person with money had seduced these troops from their allegiance to the Young Marshal.

Accusations are being levelled at delegates of Chiang Kai-shek and it is reliably reported that Chiang has sent an apology to Chang and the involved delegate has been recalled to Nanking.

Taking advantage of the supposed anger of the Young Marshal toward Nanking the Northern Coalition have organized an intensive campaign with a view to enlisting the sympathy if not assistance of the Young Marshal in the northern cause.

While at present all the leading politicians and generals of the north have delegates at Peitaiho attempting to influence Chang against Nanking, late information received from reliable sources indicate that Chang will continue to carry out his present policy of declared neutrality but there are symptoms of a leaning toward Nanking. This belief seems born out by the fact that Wang Chia-chen (a Mukden man) Vice-Minister for Foreign Affairs has returned with his family to Nanking to resume his office.

Wang Ching-wei is still in Peiping, the organization of the new National Government has not materialized and progress appears to have been limited to the appointment of Committees whose activities are unknown.

Although Wang stated the withdrawal of the Shansi armies north of the Yellow River would have no deterring influence in the organization of the new government, it is certain that the morale of high officials of the Northern Coalition is badly shaken and that nothing definite toward government organization will be attempted until the military situation becomes more favorable. Present conditions are very much in favor of Nanking success.

2. <u>The Military Situation.</u>

Tsinanfu was occupied by government troops on August 15, but its capture was not officially acknowledged by the north uhtil August 17, and then in a statement that it had been planned to withdraw north of the Yellow River in order to cause Chiang to over-extend and weaken his lines when Feng would deliver a strong offensive eastward along the Lunghai with Hsuchowfu as an objective. Reliable reports indicate that Chiang's offensive up the Tsinpu met with little opposition, that many of the Shansi units off the railroad were not informed of the danger and the sudden appearance of government troops before Tsinan was a surprise and resulted in the capture of large numbers of prisoners and great quantities of Materiel and supplies.

No accurate figures have been received, but from reliable information available, a fair estimate would place the number of prisoners at near 20,000 men. The Director of Foreign Affairs admitted the loss of 5,000 men and thirteen trains loaded with supplies at Tsinan and also that the Red Spear organization that had been enlisted by Fu Tso-yi when the Shansi troops advanced south of the Yellow River had mutinied and looted towns in the rear of the Shansi troops, thus adding greatly to the confusion of retreat. There appears no doubt that the retreat developed into a route on some parts of the front.

Latest information would indicate that Chiang will not advance north of the river at this time, though he will probably establish a bridge head north of Lokow, and all available troops are being sent down the Sinpu whether to be utilized on the Lunghai or to be sent up river to Hankow for an attack against Feng's rear at Chengchow remains to be seen. The latter

would seem most probable as the country north and south of the Lunghai is reported impassable due to heavy rains and floods.

It would thus appear that Chiang has been presented a golden opportunity to end the war for this year. I wonder will he grasp it.

Unconfirmed reports have been received that Feng has withdrawn to Langfang and Kaifeng, it is certain he has not abandoned his lines in front of Kweiteh at this time, but it would not be surprising if after the defeat of Yen on the Tsinpu and the attending disorder of the troops, thus making available large reinforcements for Chiang, that he (Feng) would withdraw to the Kaifeng-Chengchow area in order to meet a threat up the Kin-Han railroad and to permit supply and reorganization of the northern armies.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

AUGUST 26 - SEPTEMBER 10, 1930

1. General
2. Miscellaneous Notes
3. Conclusions

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1. General

With the recapture of Tsinanfu on August 15th by government troops, and with the clearing of the south bank of the Yellow River of Shansi troops as far west as the Grand Canal, active operations have practically ceased for the present.

On the Tsinpu front the Nanking forces have taken up defensive positions south of the Yellow River. These forces have been reduced to the minimum necessary to hold the river line, and all additional divisions used in the August offensive up the Tsinpu have been withdrawn and are now heading for the Lunghai front and the Wuhan area.

The Shansi troops on this front, after their defeat and retreat to the north of the Yellow River, during which they suffered heavy losses in men, materiel and supplies, have been able to bring some order out of the confusion resulting from the route and the fact that the government forces did not pursue north of the river, and have now effected some reorganization and have dug in on the north bank of the Yellow River as far west as the Grand Canal.

Persistent reports from Nanking stating that government forces had crossed the river and were advancing up the Tsinpu toward Tientsin were denied by northern official sources. In order to verify actual conditions, Captain De Pass was sent to Yuching on the Tsinpu. He has reported that no government troops had crossed to the north bank of the river. (See Report No. 7813) Indications are that this front will remain quiet for an indefinite period.

On the Lunghai front definite information has been lacking. Reports and information from all sources, however, seem to confirm the fact that both sides are on the defensive, with the lines about ten miles west of Kweiteh, this condition being forced upon the belligerents as a result of heavy rains and the flooded condition of the country. Reports further indicate that the active front is to be shifted from the Lunghai to the Kinhan front. Chiang Kai-shek has requisitioned a fleet of merchant vessels and is moving large re-enforcements up the Yangtze to the Wuhan area. This move would indicate that Chiang is grasping the opportunity presented to strike at Feng's rear at Chengchow and to the west. A successful move in this direction will force a withdrawal from the Lunghai to the Chengchow area, as this is Feng's principal line of retreat to Shensi in case of defeat.

With the elimination of the Shansi armies, government troops have become available and are being sent to reinforce government forces in the Communist-infested area around Changsha. As a result, Communist threats are diminishing in Hupeh, Northern Hunan and Northern Kiangsi. Information received from Canton indicates that the government is in control of the Kwang Provinces.

The unexpected has happened. Marshal Yen Hsi-shan arrived in Peiping at 8:45 p.m. on September 7, and plans are being made to celebrate the inauguration of Yen as Chairman of the State Council of the new national government.

Why has Yen accepted the Chairmanship of the State Council of the new government, an office he has persistently refused? Why has Yen come to Peiping to aid in the immediate organization of the new government at a time when the military situation is unfavorable to the north, and the military morale is low? During the period that Yen's armies were successful in Shantung and Feng was holding his own on the Lunghai, Yen definitely stated he would take no action toward the organization of a government in Peiping until the north had gained a decisive military victory. With the decisive defeat on August 15th, and the elimination of the Shansi armies as a further serious threat in the present campaign, the military prestige enjoyed by Yen prior to this has been washed out, and military dominance in the north has been assumed by Feng. In accepting this Chairmanship of the State Council and approving the immediate organization of the new government, Yen no doubt sees a return of prestige and hopes the lowered morale in the north will be raised.

It is difficult to see in what way the organization of the new government is going to improve the present situation. It was learned today that Yen has turned over to Feng command of all northern troops, which means that Feng holds the fate of the Northern Coalition in his hands, and the new government can take no action not approved by Feng.

It is amusing to note that the seven members of the State Council of the new government include Chang Hsueh-liang, the young Manchurian Marshal who has disclaimed personal interest in the organization of the new government, and also Tang Shao-yi, who is at present residing in his native district of Chungshan and is interesting himself in the development of the Free Port at this place; he has refused appointment in the new government. Another member is Li Tsung-jen, now isolated with the Kwangsi rebels in northern Kwangsi, with little prospect of coming to Peiping. Wide publicity has been given to the effect that Wellington Koo would accept the post of Foreign Minister, and Dr. Lo Wen-kan the post of Minister of Finance. Both of these men are attached to the Young Marshal and it is doubtful whether or not the latter will look with approval upon the acceptance of the posts offered these men in the new government.

Upon the return of the Young Marshal to Mukden on August 30, reports flew thick and fast that he was going to do all sort s of things. Both the North and the South claimed his support. Those near to him gave out information that he was going to reinforce his troops now inside the wall, but that he would support neither side. In an interview with the press he stated that any message of mediation issued would be based on the principle of neutrality. In order to clear up the conflicting reports, Captain Tenney, who is a personal friend of the Young Marshal, was sent to Mukden. In a personal interview, the Young Marshal stated he had not departed from his announced policy of neutrality and did not intend to, that he did not contemplate sending additional troops inside the wall, and that he would continue to support the government. (See Report No. 7816) Time alone will tell what action the Young Marshal will take in the present conflict, but there appears no doubt that his present intention is to watch and wait.

2. <u>Miscellaneous</u>

(a) Two government planes flew over Peiping at 10 a.m. August 27th and dropped eight bombs. No lives were lost and very minor property damage resulted. There is no doubt they were trying to bomb the meeting place of the enlarged Plenary Conference, as most of the bombs fell in the immediate vicinity of the building. It is reported that the Young Marshal has protested to Nanking and has received assurance that no more bombing of Peiping will take place.

(b) Liu Chan-nien, the semi-independent war lord in north-eastern Shantung, is reported to be fortifying the area he occupies with a view to holding it against all comers.

3. Conclusions

(1) That active operations on the Tsinpu will be suspended indefinitely.

(2) That with the concentration of reinforcements in the Wuhan area, General Chiang Kai-shek will shift his main offensive from the Lunghai to the Kihhan.

(3) That with the threat to his rear developing, Feng will withdraw to the Chengchow area to protect his rear line of supplies and line of retreat.

(4) That with the defeat of the Shansi armies, the Nanking Government will endeavor to win over officers and men from the north by offers of money and position to important officials.

(5) That with the reinforcing of government troops in Communistic areas, the Red menace will diminish.

(6) That the Young Marshal will continue his announced policy of neutrality.

(7) That if the new government is organized in Peiping, it will remain a figurehead with no authority to put into effect any of the laws and regulations it may adopt.

(8) That at present the Nanking government holds the whip hand and occupies a strong position, militarily and politically.

(9) That Feng is the dominant military figure in the north and holds the fate of the Coalition in his hands.

(10) That Feng has three plans to choose from in case of necessity: i.e.,

(a) Withdraw to the Chengchow area and organize to defend his line of retreat via Lo-yang and the Tung-kwan Pass into Shensi.

(b) Withdraw to and hold the north bank of the Yellow River, join with the Shansi troops, and abandon the Lunghai railroad and all territory south of the Yellow River.

(c) Negotiate for turn over to National Government, thus leaving Yen in the air.

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Report No. 7823

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COMMENTS ON CURRENT EVENTS

September 11-24, 1930

1. General
2. Political
3. Military
4. Miscellaneous
5. Conclusions

1. GENERAL

The political situation in the north, which has been simmering since the attempted organization of a new national government at Peiping headed by Marshal Yen Hsi-shan and Wang Ching-hui, reached the boiling point with the conclusion of the Mukden Conference, when on September 18 the Young Marshal issued a peace circular in favor of Nanking and announced that he would take over the Tientsin-Peiping area. At the same time a telegram was received in Peiping from Marshal Yen stating that he intended to retreat. Apparently this decision of the Young Marshal was not unexpected by the belligerents, as the telegram from Marshal Yen was dated four days previous to the issue of the Young Marshal's peace circular, and Wang Ching-hui has stated that for some time he has been aware that the Young Marshal would not declare in favor of the Northern Coalition. The announcement of the Young Marshal did not create unusual excitement. The situation in Peiping has been and remains normal. The population appear to give no heed to any changing conditions. The only outward signs of a change are evidenced by the movement of loaded military carts in the direction of the railroad stations, and the suspension of passenger traffic on all railroad lines with the exception of one express daily to Tientsin. There is no evidence of an increase in the number of police or military guards about the city, and it is expected the turnover will be quiet and orderly. This is confirmed by reports that the Mukden troops are delaying their advance until the Shansi troops have evacuated the area, and it has been arranged that Shansi troops will remain in Tientsin and Peiping until arrival of Mukden troops in order to maintain peace. There is no indication that hostilities will be engaged in by the retiring Shansi and relieving Mukden troops. The entire movement has the air of a formal ceremony, in which the new guard from Mukden is relieving the old guard from Shansi but without the usual interested spectators present to witness the ceremony and hear the band play.

There is widespread speculation as to the reason for the Young Marshal's coming inside the Great Wall and as to just how far he will be dominated by Nanking. He has declared his loyalty to the Central Government, but will he maintain the same attitude toward Nanking after extending his area and sphere of influence over Hopei and Shantung that obtained in the north-eastern provinces before he decided on this move -- that is, permit Nanking to handle foreign affairs but deny interference in local government or administrative affairs? Indications point to the Young Marshal's taking precautions to protect himself from the south and the west. Large contingents of troops are moving down the Tsinpu to Tehchow. A large force will garrison Tientsin and Peiping. A strong detachment is moving down the Kinhan with Paoting as its objective, and still another force will garrison Kalgan on the Peking-Suiyuan Railroad. A glance at the map will disclose the strategic distribution of these troops.

In analyzing evidence leading up to the present situation terminating in the Young Marshal's decision to intervene at this time, it would

seem that while Yen Hsi-shan was south of the Yellow River and Feng secure on the Lunghai and Kinhan Railroad, the Young Marshal was content to continue the role of a neutral observer. However, with the defeat of Yen and the resulting uncertain situation of Feng, the Young Marshal saw signs that he might have forced upon him neighbors that he did not wholly approve of in the persons of Chiang or Feng. Yen's defeat eliminated him as a possible defender of the Peiping-Tientsin area, in case either Feng or Chiang desired to replace him. The psychological moment arrived for the Young Marshal when Yen was weakened and Feng and Chiang were at each other's throats in a death struggle for a decision. He has taken advantage of the situation, has ordered Yen to get out and is taking over the province of Hopei, while at the same time declaring himself in favor of the Nanking Government. He knows that both Chiang and Feng will be exhausted at the conclusion of the present campaign, and in no position to challenge his decision to intervene.

The result of this move of the Young Marshal is difficult to foresee. If it is true that Mukden is sending inside the Great Wall a force of 120,000 troops, indications are that this move is not merely to maintain the peace, but more likely to secure the occupied area for the Young Marshal.

It is not clear in what way the taking over of Hopei by Mukden will benefit the Central Government. With the arrival of Mukden troops, the Shansi troops will be relieved and can be utilized to assist Feng in the west. In addition, there is a reliable report that the Gray Generals, Han Fu-chu and Shih Yu-san in Shantung, have joined forces and are taking orders from the Young Marshal. If this is true, it would appear that these troops would constitute a threat to Nanking, depending upon the attitude of the Young Marshal. On the other hand, Yen has lost his line of communications with the outside, and the question of supplies for his army and for the army of Feng will be a very difficult one and may be the deciding factor of success for the National Government in its present operations against Feng in the west.

2. POLITICAL

With the publication of the Young Marshal's peace circular in favor of Nanking, and the announcement that he would occupy Hopei, the bottom of the political pot dropped out and all politicians interested in the organization of the new national government in Peiping have disappeared. It is reported that Wang Ching-hui with the principal party members have gone to Shihchiachung to interview Marshal Yen. One of Wang's confidential secretaries informed me yesterday that Wang did not care to trust himself and the new government to the Mukden troops for the present, inasmuch as the Young Marshal has declared his opposition to the formation of more than one government. Wang has stated that the new government will continue, even though compelled to go to Sianfu in Shensi, or to Kansu. There are rumors in Peiping that Wang is en route to Japan.

Events are moving so rapidly now that it is difficult to comment on them. The political situation was probably never more complicated. The Kuomintang is divided unto itself and although the Nanking Government at present seems to be firmly installed, it must be remembered that many of the original members of the party are opposed to the present regime, and will resort to every means known to political intrigue to accomplish the downfall of Chiang Kai-shek and his government. Wang Ching-hui still enjoys great popularity throughout China and has innumerable followers of great influence. The Young Marshal has declared himself in opposition to the present dictatorship and the one-party government. It is certain that interesting events are in the offing and only time can tell what the final outcome will be.

3. MILITARY

Reports received from reliable sources state that Han Fu-chu and Shih Yu-san have joined forces for the control of Shantung under instructions from Mukden, that Ma Hung-kuei will remain with Nanking and Liu Chennien will continue to occupy an independent position. There have been no active operations on the Tsinpu since the recapture of Tsinan by government troops. With the movement of Mukden troops inside the Great Wall, the Shansi troops have evacuated their positions on the Tsinpu and are marching across country headed for Shansi. Hostilities are confined principally to the Kinhan and Lunghai railroads in the region of Kaifeng, Chengchow, Hsuchang and westward toward Loyang. The situation on this front is obscure. Contradictory reports are received daily but without confirmation. However, it is certain that with large reinforcements brought by Chiang from the Tsinpu, Feng has been compelled to withdraw his troops within the defensive area around Chengchow. It is doubtful that Feng will be able to maintain himself in this area because of shortage of supplies of food and ammunition, which will be greatly reduced now that his main source of supply has been cut off by the Young Marshal's taking over the Peiping-Tientsin area. Feng has demonstrated his ability as a leader in the offense, defense and in retreat. If forced to retire, indications are that he will withdraw most of his forces into Shensi and the remainder into Shansi. The nature of the terrain west of Chengchow is very mountainous and such that Feng will have no difficulty in maintaining himself if sufficient supplies of food and ammunition are available.

The situation in the Kwang Provinces has changed very little. There are persistent reports to the effect that Kwangsi forces under General Li Tsung-jen have advanced into southern Hunan as far as Hengchow, and that General Pai Chung-hsi is moving on Wuchow. However, these movements do not appear to constitute any serious threat to the government control in the south.

Although communist activities are still reported in various parts of Kiangsi, Hunan and Hupeh, the number of government troops in these areas has caused a diminution of Red operations. Latest reports indicate that the large bands of communists have pretty well disintegrated into small detachments. Reports from Hankow, Changsha and Kiukiang state that these areas are largely free from sizeable bands of communists.

4. MISCELLANEOUS

a. Death of Tan Yen-kai

Information was received from Nanking on September 23 to the effect that General Tan Yen-kai, acting chief of the national government and chairman of the executive Yuan, died the night of September 22 as a result of a stroke of apoplexy. Tan has been one of the outstanding figures in the present Nanking government.

b. Customs at Tientsin

The native customs office at Tientsin was taken over by the proper commissioner, Mr. L. Peel, on September 22, and it is expected that the maritime customs office will also revert to the regular staff in the course of the next day or two. Just what will happen to Mr. Lennox Simpson is not yet known.

c. New Chairman of Hopei

The Young Marshal has appointed General Wang Shu-chang chairman of Hopei Provincial Government as well as chief superintendent of Mukden

forces inside the Great Wall. It is learned that this appointment has been approved by Nanking.

d. Railroad Service

All passenger service over the Kinhan and the Peking-Suiyuan Railroads has been cancelled until further orders. Passenger trains are running over the Peking-Mukden road, although due to troop movements they are not running on schedule time. Information has been received from Tsinan to the effect that passenger traffic will be open to Tientsin within a week or ten days. This will probably result in through traffic from Tientsin to Shanghai in the near future.

e. Newspapers

With the departure of Wang Ching-hui from Peiping several local newspapers financed by the new government have gone out of business.

f. Banks

There has been a run on several local banks during the past few days. Shansi notes are repudiated and not accepted in Peiping; however, the Shansi banks state they have sufficient funds to redeem these notes.

5. CONCLUSIONS

That the Young Marshal, ably advised, has awaited his opportunity, which arrived when Yen's strength was crushed on the Tsinpu and Feng and Chiang are locked in a death struggle on the Kinhan; regardless of who wins, both will be thoroughly exhausted and the Young Marshal can rest secure in his newly acquired territory for a long time.

That the Young Marshal, although acknowledging Nanking, will not be dominated or dictated to by the latter.

That he is taking necessary precautions to secure his position by the presence of a large military force.

That next year's line-up will be a triangular one with Nanking in the south, Feng in the north-west, and the Young Marshal in the north. Just how this combination will get together, time alone will tell.

Report No. 7833

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COMMENTS ON CURRENT EVENTS

September 24 - October 8, 1930

1. General
2. Military
3. Miscellaneous
4. Conclusions

1. GENERAL

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The Fengtien mobilization is nearing completion. The First Army, commanded by General Yu Hsueh-chung, has occupied the Peiping area and the troops have arrived at Paotingfu, extending some distance further down the Kinhan Railroad. They have also taken over Nankow on the Peking-Suiyuan Railroad, and have moved an armored train with supporting troops through the Nankow Pass, and, it is expected, will take over Kalgan. The Second Army, under General Wang Shu-ch'ang, has taken over the Tientsin area, and the troops have been pushed down the Tsinpu as far as Tsangchow, the movement continuing further south as far as the Shantung border. The Third Army is in process of mobilization in the Shanhaikuan area.

All of the important military and administrative positions in the Peiping and Tientsin area are being taken over by Mukden appointees without regard for Nanking's approval or disapproval. Instructions have been given to the military commanders in occupation to prevent Kuomintang activities in the occupied area. This fact would further tend to confirm the intentions of the Young Marshal not to tolerate interference in local administration by Nanking.

During a visit to General Yu Hsueh-chung, commanding the First Mukden Army with headquarters in Peiping, I was informed that there would be no hostile movements by Mukden against either the Allies or the Nanking Government, that upon completion of the mobilization the attitude of the Young Marshal would be one of strict neutrality.

The bulk of the Shansi troops have been concentrated in the area around Shihchiachuang and to the south. There is a report that Yen will resist the advance of Mukden troops if they attempt to move on the former city.

Reliable information received from a representative of Mr. Wang Ching-hui, the representative being now in Peiping acting as liaison officer between Mr. Wang and the Young Marshal, is to the effect that the Young Marshal expressed himself as being very much disappointed because Mr. Wang did not remain in Peiping during the taking over by Mukden troops, and that he is in correspondence with Mr. Wang with a view to obtaining his suggestions relative to the calling of a peace conference in Peiping. Mr. Wang Ching-hui is now in Taiyuan with the majority of the members of the new government, and daily conferences are being held there. This same informant stated that as a result of a call upon the different warring factions for a peace conference, delegates were beginning to arrive in Peiping and prospects for the early holding of such a conference were very good.

2. MILITARY

With the withdrawal of the Shansi forces from the Peiping-Tientsin area, all newspapers favorable to the Shansi administration were suppressed and practically all information coming through the press is contained in the

government organs. As a result, all information received from this source has been favorable to Nanking, and it has been difficult, if not impossible, to get any reliable information covering the military situation on the Honan Front. Conflicting reports have been received and Nanking reports of success have not been confirmed from independent sources. A reliable source has been found in the person of Mr. Theodore E. Hsiao who has been secretary to Mr. Wang Ching-hui and concurrently in charge of his bureau of information. Mr. Hsiao returned from Taiyuan the night of October 6, and as a result of a conference with him on October 7 the following information was obtained:

Mr. Hsiao stated that on October 4 Feng gave up Kaifeng and withdrew his troops to the Chengchow area with the intention of directing a counter-attack against the government troops west of the Kinhan and if successful to continue on toward the Wuhan area. These plans were agreed to between Feng and Yen and the latter was to send three divisions of Shansi troops to assist in the defense of Chengchow during the counter-attack. Feng's preparations were completed but after a delay of three or four days no Shansi troops arrived. During this period General Chi Hun-chang, who was in command of three divisions of Feng's best troops to the southeast of Chengchow, was bought over by Nanking at a figure stated to be three million dollars. This defection, combined with Yen's failure to furnish the three divisions for the defense of Chengchow, caused Feng to revoke his orders for a counter-attack and compelled him to make plans for a withdrawal from Chengchow to the north bank of the Yellow River where he is to combine with the Shansi Army, take up a defensive position in the mountainous country and prevent government troops from advancing north of the river.

This information has been confirmed by the Japanese Military Attache, who has received similar information from his agents at the front. His information stated that Feng has now moved his headquarters north of the river and is located at Sinsiang on the Kinhan and at Tsiaotso on the branch line running west from the Kinhan at Sinsiang, also that Feng's defensive lines would extend southwestward across the river including Loyang and the mountain passes covering a possible line of retreat into Tungkwan in Shensi.

There seems to be little doubt that Chiang will attempt to cross to the north of the Yellow River, and the probabilities are that active military operations will cease upon the completion of Feng's withdrawal. The status of Shih Yu-san is uncertain. The bulk of his troops, amounting to about 60,000 men, is located in the area around Taokow at the end of the branch railroad line running from the Kinhan near Sinsiang eastward. Reports state that propositions submitted by Shih to Feng and Chiang have been ignored, and that at present he is leaning towards support of the Mukden forces.

With the defection of certain of Feng's subordinates which necessitated his withdrawal into the mountains of Shansi to the north of the river, there appear to be some grounds for the report that Feng may retire. In the event that he does so, it is stated that his retirement will only be temporary and for the purpose of permitting the various northern factions, including Wang Ching-hui, to eliminate Yen Hsi-shan as a factor in both military and political development. My informant stated that Yen is in very bad odor with all of the northern chiefs including the Young Marshal and that at the present time the Mukden and Nanking factions are endeavoring to gain the support of Feng. This latter statement seems to be borne out by the fact that Nanking is sending two old Kuominchun generals, Chang Chi-kiang, formerly Chief of Staff of the Kuominchun Army, and Ma Fu-hsiang, formerly a general under Feng, to consult with Feng. It is no secret that the Young Marshal does not want the Yen-Feng combination destroyed, as this would tend to increase the power and strength of Chiang, which would later be used to the disadvantage of Mukden.

3. MISCELLANEOUS

a. Rendition of Weihaiwei

It was significant that Wang Chia-tseng, the Vice-Minister of Foreign Affairs at Nanking and a Mukden man, should be designated by the government as special commissioner for taking over the concession at Weihaiwei upon its rendition by the British on October 1. This fact would further indicate that Mukden was to control the principal ports of Shantung, including Chefoo, Weihaiwei and Tsingtao, and that the independent general, Liu Chen-nien, who is operating in this area would declare his loyalty to Mukden.

b. Visit to Tung Ying-Ping

An appointment was made to call on General Tung Ying-ping, commanding officer of the Fengtien brigade stationed in Peiping. At the appointed hour I arrived at the headquarters of General Tung and was received by a disorderly, undisciplined squad of soldiers. My card was taken and I stated that I had arranged to keep an appointment with their general. I was informed that I would have to wait until the general could receive me, and was escorted to what appeared to be the guard house and shown into a dungeon-like cell. This treatment was embarrassing, and became humiliating when the non-commissioned officer a short time later informed me that I would have to go to the guard room, register and be identified. As this treatment was going a little too far, I had my interpreter call the car and directed that we return to my office, where I had the interpreter call up the headquarters of General Tung, report the treatment accorded me, express my resentment, and demand that an apology be forthcoming. This was done, and General Tung was very apologetic, asking for an appointment when he could come in person in order to straighten matters out. This was granted, and General Tung came to my office in a very disturbed state of mind. He expressed his regrets and stated that the proper disciplinary action would be taken against the soldiers who had failed in their duty toward a foreign officer. This little incident is reported to show the attitude of the Fengtien soldiers toward foreigners and to give an idea of the undisciplined state in which many of these soldiers are found.

c. Attack on Lennox Simpson

The attempted assassination of Mr. Simpson has been universally condemned throughout China. Last reports indicate that his condition is very critical and little hope is held out for his recovery.

d. Communism

Communistic activities appear to be increasing along the Yangtze River, evidenced principally by the firing on all types of vessels traveling up and down the stream. These activities occur mostly up the river from Hankow and are not confined alone to rifle and machine gun fire but in many instances artillery is being used. The government does not seem to take any action for the suppression of these Reds, and it might be that this failure is due to the desire on the part of Nanking to reduce foreign shipping on the river.

Further reports indicate that communistic activities on a large scale are diminishing in the communist-infested areas in Hupeh, Kiangsi and Hunan.

4. CONCLUSIONS

With the withdrawal of Feng and the occupation of impregnable defensive positions in the mountainous regions of Shansi and western Honan, active

military operations are undoubtedly likely to cease during the coming winter. In this event China will be divided into spheres of influence. South of the Yellow River Nanking with Chiang Kai-shek at the head will dominate. The Young Marshal will dominate in the north eastern provinces, and Feng in the north western provinces. During this interval of peace, political intrigue will become active and a bitter warfare will be waged between different factions in the attempt to gain control of China. Just what the ultimate line-up will be between the personnel dominating these different spheres of influence, time alone will tell.

Report No. 7842.

NEM/edb

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G-2 Report

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MIL. INTEL. DIV.
NOV 2055-622 1930
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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

October 9 - 22, 1930

RECEIVED G/2 W. D. NOV 20 1930

1. General

With the occupation of Chengchow by government troops on October 6 and of Loyang a few days later and the consequent withdrawal of Feng's Kuominchun troops to the north of the Yellow River and west toward the Tungkwan Pass, Chiang Kai-shek's troops are now in control of all territory south of the Yellow River. Hostilities have ceased; civil war has ended.(?) China is to enjoy a period of peace. Military activities are to be replaced by political activities. The stage is being set for intrigue, and already notorious politicians are emerging from places of retreat with a view of participation in the bitter political struggle that is brewing.

Chiang Kai-shek has asked the Central Government executive committee to convoke the Fourth Plenary Session of the National Congress, during which arrangements will be made for calling a People's Conference. The next few months will be months of reorganization and recuperation. China is thoroughly exhausted and bled white as a result of internecine warfare, which has been disastrous to the economic progress of the country. The final defeat of Feng, who has been the most serious obstacle in the path of Chiang Kai-shek, has brought great prestige to the latter and increased power to the Nanking government. However, this triumph is truly a moral rather than a physical victory, and has left the government in such a weakened condition that much time will be required for recuperation and reorganization.

In brief, the general situation obtaining in China is as follows: Three important spheres of influence are developing. In the northeastern provinces including Hopei Marshal Chang Hsueh-liang dominates, his troops having now taken over all the Hopei activities. His first and second armies are in occupation of all the railroads leading into that province, and all the important military and administrative offices therein are filled by appointees designated from Mukden. The special municipalities of Pei-ping and Tientsin, which heretofore have been under direct control of the Nanking government have been turned over to the control of the chairman of Hopei Province. Additional armies are being mobilized and more troops are moving inside the wall daily. Chiang Kai Shek has announced that he will give no attention to political affairs in north China, and has authorized Marshal Chang Hsueh-liang to handle military affairs with full powers.

Shih Yu-san, the notorious gray general, is now in occupation of a section of the Peking-Hankow railroad line in southern Hopei. His force is estimated to be 60,000 men and he is receiving instructions from Mukden. Information from a reliable source is to the effect that Shih maintains a hostile attitude toward Shansi and has ambitions to occupy that province with his forces.

In Shantung, Han Fu-chu, Ma Hung-kuei and Liu Chen-nien are also gray, and as such their allegiance to the government is doubtful.

The Young Marshal has publicly announced that all his movements and activities are in the interests of the government, but he has also expressed his disapproval of a one-party dictatorship. As the months pass he will become more secure in his occupation and his influence in this area will greatly increase.

From M/A China Report No. 7852. Oct. 22, 1930

The sphere of influence covering the northwestern provinces will undoubtedly be dominated by Feng. At present the situation in that area is obscure. We know that Yen's military strength and prestige has disappeared, that he has been eliminated as a military factor, but he very probably retains considerable political importance in his own province. Reliable information indicates that Feng will eventually take over Shansi and with his control of Shensi and Kansu will be a very strong factor during the coming months of political reorganization and attempted rehabilitation.

South of the Yellow River, Nanking with Chiang Kai-shek at the head of the government will dominate. His first big problem must be the suppression of the communist-bandits in the provinces of Kiangsi, Hunan and Hupeh. He has started the movement of divisions from the Honan Front toward these communist-infested areas and has stated that from three to six months will be devoted to the cleaning up of these districts. At the same time, intensive campaigns will be begun for the political reorganization of the government. It is not believed that the peace of China will be disturbed by internecine warfare for at least a year, owing to the necessity for reorganization and re-equipping of the armies, which are now completely exhausted and worn out as a result of the past seven months of civil strife. Politics will occupy the attention of the leading Chinese officials, and the peace of China will very largely depend upon how these politicians can satisfy their individual ambitions.

Many well-informed observers seem to think that the coming year will be one of military preparation for another war which is to follow, the principal contenders being Nanking and Mukden, both of whom will make strenuous efforts to gain the support of Feng.

In conclusion it can safely be stated that Chiang Kai Shek will not provoke the renewal of hostilities with Feng, nor will he challenge the action of the Young Marshal until such time as he feels himself strong enough to do so with chances of success. This fact means that China is due to have a long period of peace.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

October 23 - November 5, 1930

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1. General

War-ridden China is now enjoying a period free from civil strife. Military operations are limited to the suppression of communist and bandit activities. The political stage is being set at Nanking for the meeting of the Fourth Plenary Session of the Central Executive and Supervisory Committees, to be held on November 12. There is much suppressed speculation as to what the outcome of this political gathering will be. Information received from reliable sources states that already there is a split in the party members now controlling the government at Nanking. It is reported that Hu Han-min, president of the Legislative Yuan, is heading a clique of old party members in opposition to reforms advocated by President Chiang Kai-shek. It is reported that T. V. Soong, Minister of Finance, is to be the center of attack at the meeting, that he has become unpopular with members of the government and with big Chinese financiers. It remains to be seen how far Chiang Kai-shek will go to maintain his brother-in-law in power.

In the north the Young Marshal's troops have completed the taking over of the provinces of Hopei and Charhar and are moving into Suiyuan. All movement of troops into these areas has been accomplished without opposition from Shansi.

The situation in the northwest remains obscure. Much propaganda having its origin from government sources is published daily telling of the disintegration of the Kuominchun, the turning over of important Kuominchun generals to the government, and the appointment of officials to reorganize the remaining Kuominchun troops into government service.

There has been no confirmation regarding the retirement of Feng and Yen. Feng's subordinates are treating with Nanking, while Yen's delegates are traveling between Shansi and Mukden where he apparently hopes for relief from his present difficult position.

The reaction following the cessation of hostilities has left China in an exhausted condition. The convalescing period has not passed. It is too early to look for important changes. Significant events affecting China's future will begin to appear after November 12.

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From M/A China Report No. 7860 Nov. 5, 1930

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

November 6 to 17, 1930

1. General
2. The Fourth Plenary Session
3. The Government and Communism
4. Marshal Chang Hsueh-liang's Pilgrimage
5. The Moscow Conference
6. The Death of Lennox Simpson
7. Miscellaneous

RECEIVED G/2 W. D. DEC 19 1930

1. GENERAL

A plentiful crop, the cessation of hostilities, the weakening of Moscow on the Harbarovsk Protocol stand, Marshal Chang Hsueh-liang's visit to Nanking, Yen Hsi-shan's announced retirement, all point towards prosperity and peace for the immediate future. The increased activities of the psuedo-communists in the Yangtze Valley, the probability that Yen and Feng will emerge when the occasion arises, the problem of disbandment and the financial stringency in Nanking, cloud the picture somewhat, but on the whole leave the balance in favor of optimism. At no time within recent years has China presented such a pleasant face towards the future. While before Chang Hsueh-liang's trip to Nanking this period had been called that of preparation for the next war, his trip changes the possibilities. Given decent treatment, Chang will probably continue loyal to Nanking. However, the spirit of intolerance, so often deplored in these columns, is again manifest and Nanking and Marshal Chang Hsueh-liang declare that Feng, Yen and Wang Ching-hui must leave China. If the attempt is made to carry out the wish more trouble is certain.

Rumblings from Manchuria, indistinct but none the less ominous, indicate that the old Party there does not approve of the Young Marshal's obeisance to the Nanking dictatorship. Trouble is prophesied in the Three Eastern Provinces by many observers. Some time ago the Chinese said, "If the Young Marshal comes to Peking he will never go back to Mukden." His choice of Nanking may yet bring trouble.

2. THE FOURTH PLENARY SESSION

While it is too early to sum up the work done at the Fourth Plenary Session, which convened on November 13th and is to be dissolved on November 18th, the following resolutions have been adopted:

(1) A People's Conference is to be called on May 5, 1931.

(2) All members of the Kuomintang who participated in the Enlarged Plenary Session held recently in Peiping, with the exception of Shang Chen, are expelled from the party for life.

(3) The plan for establishing a Customs House at Hongkong, due to the effect it would have on Canton, was dropped.

(4) The National Disbandment Committee (for disbandment of troops) was abolished.

(5) The Chairman of the Executive Yuan will automatically become Chairman of the National Government and all Ministers will automatically become members of the State Council.

(6) All bandits and communists will be exterminated in three months.

(7) Plots of land in Nanking are to be set aside for the various foreign legations.

The following proposals have been made:

(1) To set aside $5,000,000 yearly from the Customs receipts to pay officials in the diplomatic and consular services. (At present many are three months in arrears.)

(2) To draw up a Bill of Rights. After discussion this proposal was tabled until the People's Conference on May 5, 1931.

(3) The Renovation of the National Government. This bill was submitted by Chairman Chiang Kai-shek. It is divided into three parts. Part One, dealing with the reorganization of the central government, contains the following suggestions: (a) The Central Political Council should be strengthened, and two-thirds of its total membership must reside in Nanking. (b) The secretariat of the Central Political Council must be enlarged, and in this connection it is urged that sections on foreign relations, military affairs, finance, economics, law, education and local self-government should be established, each with a special secretary in charge, these secretaries serving as political vice-ministers to the various departments of the executive yuan. Unless countersigned by the political vice-minister, no papers relating to the international or external affairs of a department shall be considered valid. (c) The ministries of agriculture and mines and industry, commerce and labor should be combined and organized into a ministry of industry, while the ministry of public health should be merged into the ministry of the interior. The national commission of reconstruction should confine itself to the drafting of plans only and should be under the direct control of the national government. The organization of other ministries also should be curtailed. Part Two contains the following features: (a) An order for a general amnesty should be issued on next New Year's Day; (b) The control yuan should be inaugurated as soon as possible; (c) The competency of conferences of various ministries should be clearly set forth. (d) Examinations for officials of various grades should be held; (e) Retrenchment should be carried out with the abolition of superfluous organs; (f) A planning department should be established as soon as possible and regulations should be drawn up governing village self-government and leave for officials; and (g) officials should be forbidden to engage in business. Part Three, which deals with the suppression of banditry, opium prohibition, military rehabilitation and financial reorganization, provides: (a) suppression of communism and banditry; (b) taking of a census; (c) enforcement of the "Pao Chia" system; (d) encouragement of agriculture; (e) extension of popular education and strengthening of student discipline; (f) reorganization of various corps. The bill further suggests that if all the measures proposed are adopted by the conference, they should be carried out within six months or a year.

(4) To forbid military officers from holding concurrent civil appointments.

So far as can be learned at present, the Fourth Plenary Session is proceeding in an orderly manner. The turmoil which was foreseen due to the enmity of Hu Han-min and the old guard towards Chiang Kai-shek has not materialized, due, it is thought, to the preponderance of power Chang Hsueh-liang's presence has given the Generalissimo. It is believed that Chiang Kai-shek will emerge from this conference larger than ever.

3. THE GOVERNMENT AND COMMUNISM

The government in Nanking has, since its inauguration, been a one-party government. In the last part of 1926 the Chinese Communist Party, which was possibly the most vital force in the Kuomintang, was placed in a subservient position by the Executive Committee, and was later on forced from the fold. The exigencies of the military situation made it advisable to take conservative elements in the persons of Northern Military leaders into the party. Chiang Kai-shek, because of his military backing and successes, became the ruling spirit in both the party and the government. The Right grew stronger, the Left weaker, until Leftist participation was denied in the National Congress of March, 1929.

From not only the malcontents who formed the Peking Government, but also from Manchuria, the South and the Yangtze Valley Provinces, come denunciation of the present government as a one-party affair. It is pointed out that a one-party government is no more than a dictatorship, and that the ideas of the Kuomintang revolution, which was essentially designed as a proletarian movement, have been vitiated and nullified.

Sun Yat-sen in 1924, against the wishes of many members of the Kuomintang, decided that all revolutionary groups should be utilized in the conquest of the country. The Communist Party group, directly under the Third Internationale, vitalized the Kuomintang and made the campaign of 1926-7 possible and successful. Today it is persecuted and except in areas under its sole control is conducted in sub rosa fashion.

It is thought that the Communist Party must be reckoned with by any government. Made up of the stridently articulate student class and representing large numbers of the peasant group, its potentiality may not be denied.

A vast gulf exists between the intelligentsia and the peasant. The former has thought long and deeply on revolutionary matters and in a great measure is convinced that communism is China's salvation. The latter, ignorant, down-trodden, is willing to adopt any system which holds promise of emancipating him from his practical serfdom. There are many more rural members in the Communist Party than there used to be. Communism, which proclaiming assistance for the whole proletariat, can of course be propagated more quickly in the industrial districts where many men and women are living in a small area, and therefore was at first an urban organization. But in large areas in Kiangsi and other Yangtze provinces, the agricultural class has become tinged with red.

From 1920, which really marked the date of the formation of the Chinese Communist Party, until 1926, its growth was phenomenal. Probably it had nearly 200,000 members in the latter year. In the last part of 1928 Moscow reported 80,000 members in China. Since then Communism has been largely driven underground and it is impossible to estimate the membership. But though conducted secretly, it is still active and a source of constant fear to officials in power.

It is possible to kill Communists but it is impossible to kill Communism. So long as there exists in this country a preponderance of underfed, overtaxed and downtrodden peasantry, Communism may not be exterminated.

To the observer it would seem that everything is now being done by all persons in power to strengthen the future of Communism. A short-sighted and highly selfish program is being followed in both the North and South. Communism, if allowed to develop in the open, would most certainly free itself from the noxious poisons collected in subterranean channels. It is a dynamic force which may be directed if seized in time, but which

left to its own devices is apt to run rampant. A government which would give the Chinese even the advantages so common to the people of a Western country need never fear Communism. In the last analysis Chinese Communism is but the asservation of the spirit to live.

Self-constituted authorities on China often claim that Communism is impossible here. Just why no one knows. It is not only possible but it is a fact already, in large areas. It is fair to concede that of himself the Chinese does not have Communistic leanings, but in the straits in which he now finds himself he may be expected to embrace relief of any sort.

It is yet too early to state that the Communist Suppression Campaign which was inaugurated on November 1st has failed. But it is safe to say that communistic activities at the present writing are more pronounced than they were during the recent war. According to petitions received by the National Government urging Chiang Kai-shek to assume active command of the suppression campaign, people in the Red areas of Hunan and Kiangsi are living in a state of constant fear. Figures are quoted in these petitions showing that so far 150,000 innocent people have been slaughtered and that more than one and one-half million have fled to more peaceful provinces. It is further stated that upward of 100,000 houses have been destroyed and that of the 81 districts in Kiangsi 37 are completely in the hands of the Communists while 38 others are infested by Reds. It would seem high time to take drastic action.

4. MARSHAL CHANG HSUEH-LIANG'S PILGRIMAGE

Chang Hsueh-liang's mission to Nanking may well prove the turning-point in contemporary Chinese history. Again, it may not. There seems to be a decidedly altruistic motive behind it. Chiang Kai-shek was so anxious to meet Chang that he would have come to Peking or gone to Tsingtao to accomplish his purpose. Chang, donning the uniform of a well-disciplined public servant, journeyed to Nanking and reported to his Chief on November 12th. Mukden changed her role when she first flew the National Flag on December 29, 1929, but most observers saw in that action lip service alone. But Chang's visit to Nanking at this juncture goes deeper. He is not seeking Nanking's aid. His is not the guise of the supplicant. He is endeavoring to help the Nanking government get on its feet, and in his trip alone has given Nanking so much "face" that various episodes in the past may well be forgotten.

The Young Marshal states from Nanking, "I have come to the decision to make every effort to support the Central Government and to preserve peace <u>even if I have to make a supreme sacrifice</u>." Here are the words of a patriot.

Chang's assistance at this point is particularly opportune. Hu Han-min and Chiang Kai-shek are at loggerheads. Chang's weight will be used in the Generalissimo's favor. It is reported by the Japanese Intelligence Service that Chang Hsueh-liang agreed to move his armies south on four conditions:

(1) That the activities of the Tang-pus in North China be curbed,
(2) That he be given control of the railways in China north of the Yellow River,
(3) That Li Chai-sum be released,
(4) That C. T. Wang be dismissed.

Of these four conditions, the fourth alone may be regarded skeptically. Is the Young Marshal's friendship for Wellington Koo sufficient to force that condition? It is doubtful. The Japanese state that Chiang Kai-shek

agreed willingly to all four conditions but that Hu Han-min stated that on no grounds would he subscribe to Condition (1). The Chairman of the National Government with the Young General's aid should be able to force through any measure at this juncture.

While in general we are disposed to take an extremely optimistic view of Chang's pilgrimage, we are well aware of the disillusionments which may well await both parties. Practical politics are pretty much the same all over the world -- a game of barter in which the pawn is often forgotten. Chang Hsueh-liang has done a big thing. China's well wishers hope that it may have lasting results.

5. THE MOSCOW CONFERENCE

After months of delay in which Moscow demanded China's recognition of the Harbarovsk Protocol as a basis on which to open the Moscow Conference, Karakhan in a letter to China's delegate, as reported by Reuter on November 11th, stated that "conditions in Manchuria now being such that the terms of the Harbarovsk Protocol may be regarded as fulfilled, there is no longer any obstacle to the opening of discussions on concrete questions regarding the C.E.R. and trade and diplomatic relations."

It is reported by a reliable source that many White Russians in the Harbin-Manchouli area have been recently enlisted in the Chinese army and moved away from the frontier. If this is so it would seem that the Manchurian authorities were making an effort to fulfill at least some of the provisions of the Harbarovsk Protocol.

China has not as yet replied to Karakhan's note but may be expected to take advantage of his advances.

Without a doubt the U.S.S.R. has been waiting the outcome of the civil war in China before opening negotiations, and now, sensing a growth in Nanking's power, is anxious to begin discussions.

6. THE DEATH OF LENNOX SIMPSON

Standing out like Mars at perihelion is the difference between Western and Chinese ideas of sportsmanship. We do not "kick a dog when he is down". To this idea of sportsmanship, perhaps based on the story of the Good Samaritan, is due China's present autonomous conditiom. China is and has been down, and the Western nations are and have been lending a helping hand.

There were many Westerners who criticized Simpson's actions in Tientsin. Before his assassination his advocates were few. But after the dastardly attack on his life, Westerners of all persuasions were behind him, lending the strength of their moral support.

At the same time Nanking announced in effect that he had gotten what was coming to him, and despatched detectives to effect his arrest. Death on November 11th cheated the detectives and the Nanking government. On his death all but one Chinese paper, the Ta Kung Pao of Tientsin, which published an article pointing out all that he has done for China, joined in scurrilous attacks on his character and his actions. The North China Daily News (British) of Shanghai, in an obituary says, "Whatever may have been the defects of Mr. Simpson and of his actions they could not justify such despicable treachery as cost him his life.

"Is it too much to hope that there will come from some authoritative quarter a word which, while not mitigating the grievances generated by Simpson's actions, will emphatically condemn the outrage of which he was a victim?

"In recording his death, it were bare justice to salute the qualities which led him to ride in a whirlwind to his own ultimate undoing. He knew the risks and took them and as far as could be judged never complained or showed querulous resentment when Fate turned against him. He bore no malice nor designed to seek sympathy. On that account alone he can command the tribute due to one who played the man."

Usually wrong in predictions of future events, always right on the facts from which he drew his conclusions, having a rare understanding of the Chinese and their psychology, loyal to his superiors, generous to his foes, an opportunist with the saving grace of humor, a novelist of no mean repute, an adviser to Chinese governments, he made mistakes -- but he paid in full.

7. MISCELLANEOUS

Conditions In and Around Peiping

Not since 1927 have foreigners been so unsafe in travel around Peiping as at the present. Three incidents of attacks on foreigners when going to the Western Hills, some ten to twenty miles west of the city, have caused the various Legations to advise their nationals against leaving the city for travel off the railroads without proper military escort. These attacks, one of which was made on two members of the Marine Guard of the American Legation, have been for the purpose of robbery, and in two cases were made by men in the uniform of the Manchurian army.

Cases of looting are not so uncommon in Peiping as under Yen Hsi-shan's regime. One case was the robbery of a money shop by Pao Yu-lin's bodyguard. Since General Pao is the Commissioner of Public Safety and a Mukden appointee no mention was made of the affair in the papers.

While no serious trouble is anticipated, these disturbances mark the difference between the Manchurian and Shansi soldiery.

Resumption of Service on the Tientsin-Pukow and Peiping-Hankow Railroads

On October 8th through service was announced over the Tientsin-Pukow railroad from Peiping to Pukow. This marks the beginning of a service which was interrupted on February 28, 1930.

The Peiping-Hankow railroad announced the resumption of through service as of November 10th. The last through train ran on March 15, 1930.

Yen's Retirement

On November 4th Yen Hsi-shan announced his retirement from public life and took up his abode at his ancestral home. Once the "Model Governor", he has shown himself unfitted for national politics and intrigue. Whether he will again emerge is a moot question.

The National Industrial and Commercial Conference

One hundred seventy delegates from all over China met in Nanking on November 1 under the leadership of H. H. Kung, Minister of Industry, Commerce and Labor, to discuss plans for the economic development of the country. While none of the proposals passed have the effect of laws, H. H. Kung stated before the end of the conference that he would endeavor to gain full government support and the enactment as laws of the resolutions, at a future date. (Report No. 7873 covers this conference in detail.)

PGT/edb

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COMMENTS ON CURRENT EVENTS

December 17-27, 1930

RECEIVED G/2 W. D. JAN 29 1931

Since the last Comments the general situation indicates that the mantel of peace is settling over China. How long it will conceal political intrigue and subdue the rumbling of discontent and opposition to government reforms remains to be seen.

In the North, the Young Marshal remains at Tientsin holding a secret conference attended by all important military and civil officials who were in opposition to the government, with a view to arriving at a satisfactory solution for the rehabilitation of the northwest provinces and disposition of the Shansi armies and the remnant Kuominchun still in south Shansi.

In the South, Chiang Kai-shek is up the Yangtze River planning a campaign for the suppression of communist-bandit activities in the Yangtze Valley and south thereof, while at Nanking the various heads of the government are struggling with the reforms proposed and adopted at the Fourth Plenary Session of the Central Executive Committee and the Central Supervisory Committee.

There is much speculation in well informed circles as to the reception awaiting the Young Marshal upon his return to Mukden. Here is one line received from a Chinese source but not confirmed:

As the Young Marshal's visit to Nanking drew to an end, information reached him that General Chang Tso-hsiang, who is running the show in Manchuria during the Young Marshal's absence, was receiving and holding conferences with important officials including Kuominchun leaders, and preparing to oppose the Young Marshal's submission to Nanking; that the reason for the Young Marshal's long stay in Tientsin is to satisfactorily arrange for the rehabilitation of the Northwest (Shansi and Suiyuan) before his return to Mukden, and that during this period he is holding conferences with important officials, i.e., Yen Hsi-shan, Wang Ching-wei, Lu Chung-lin, Shang Chen, Hsu Yung-chang, Fu Tso-yi and the generals commanding the remaining Kuominchun troops in south Shansi. It is further reported that Chiang Kai-shek looks upon the long stay of the Young Marshal in Tientsin and meeting with his enemies with suspicion and has sent his confidential agent, Li Shih-tseng, to Peiping ostensibly as chancellor of the Peiping University but primarily to observe and report upon the activities of the Young Marshal in his relations with opposition officials.

Here is another line received from the Japanese Military Attache in Peiping:

Shantung has become the dumping ground for grey generals, where Chiang can keep an eye on them. At present the distribution of grey generals is as follows: Han Fu-chu, Ma Hung-kuei, Liu Chen-nien and Sun Lien-chung in Shantung; Shih Yu-san in north Honan; Liang Kwang-ying in north Kiangsu. These generals know there is to be a disbandment of troops and are evidencing much concern as to the ultimate disposition to be made of their commands. They are using General Chang Chih-chiang (ex-Kuominchun commander), now with Nanking, as liaison officer to press

their demands for money and supplies for their commands. In the meantime they have designated delegates who meet to arrange plans to resist any move on the part of Nanking to disband their troops; that in the event they are ordered to disband they are to join forces, recall Feng and organize a new Kuominchun army and endeavor to win over the Young Marshal. Sounds logical and is a potential source of serious menace.

The fact remains that today the armed forces in China are greater than at any time during the last year; that money is the burning need and not to be had in the enormous amounts necessary for military and civil needs. The calm surface of today will no doubt soon be disturbed by the invisible rumbling of political intrigue.

NEM

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COMMENTS ON CURRENT EVENTS

January 1—15, 1931

1. Grand Military Review at Nanking.
2. Chu Pei-teh.
3. Dr. C. T. Wang.
4. A Note of Discord in the Government.
5. The Young Marshal at Tientsin.
6. Communist-Bandit Activities.
7. Miscellaneous.
8. Conclusion.

RECEIVED G/2 W.D. FEB 1 1 1931

1. Grand Military Review at Nanking.

Taking advantage of an invitation from the American Minister to join him in Nanking and attend a grand military review to be held there on New Year's Day, I proceeded to Nanking by rail, arriving there on December 31, 1930. The trip down, consuming two nights and one day from Tientsin, was uneventful. Conditions of travel on the Tsin-Pu Railway are rapidly improving and will become normal as soon as the military warlords release the rolling stock still held by them.

I found conditions in Nanking considerably improved since my last visit during early May of last year. Roads have been re-built and improved, large and imposing buildings are going up in all parts of the city, and business activity appears to have been greatly stimulated.

There was a ready response from the Diplomatic Corps to the invitation of the Nanking Government to attend a reception and military review on January 1, 1931, and all assembled at the National Government Headquarters at 8:30 a.m. on that morning and were cordially received by President Chiang Kai-shek and other heads of the Government, following which all proceeded by auto to the aviation ground where about 6,000 men of the Guard Division (former First Model Division) were drawn up preparatory to the review. Large and imposing pavilions had been erected to receive the government and foreign officials.

After preliminary services before the picture of Dr. Sun Yat-sen, General Chiang, accompanied by members of his staff (Captain DePass and myself were the only foreign officers to ride with him),rode around. As the General approached each battalion or mounted unit he was loudly cheered.

After the return to the stand the troops marched by, presenting a fine front and making a good impression upon all present. (The attached photographs will give an idea of the appearance of the different units.) I was favorably impressed with the good looking uniforms and complete equipment of the troops and various units. Following is a list of the units that participated:

1st, 2nd, and 3rd regiments of infantry
1 squadron of cavalry
1 regt. of artillery (2 battalions light) 3 batteries to btn.
(1 " heavy) 2 btrs.155 mm to btn.
1 battalion engineers
Communication detachment
1st, 2nd, 3rd & 4th tank detachments (5 tanks each——Garden-Loyd, Whippet; 1 driver; 2 men; 1 machine gun operator)
Strengths of above about 6,000.

The students of the Central Military Academy were also present with a strength of 1500. They presented a fine appearance but did not accompany the troops passing in review. Upon completion of the review, the troops were formed up in their original positions and all field officers assembled in front of General Chiang's stand where he harangued them upon the duties of loyalty to government and party---thus ended the ceremonies and all concerned dispersed.

2. Chu Pei-teh.

I took advantage of an invitation to accompany General Chu Pei-teh (Chief of Staff to General Chiang) to his headquarters, with a view to getting some information on the new army organization and plans for disbandment of surplus troops. When questioned regarding the permanent strength of the army in divisions, he replied that no decision had yet been reached by the government, but that the Ministry of War was preparing a report on the subject to be submitted for approval. He stated no definite plans had been adopted for disbandment, and action by the government on this matter would await the report of committees that had been appointed to visit the various armies, inspect and submit recommendations. He further stated that the result attained by government troops in the communist-bandit suppression campaign now going on in the south central provinces was satisfactory. I left General Chu with the impression that it would be a long time before effective reforms in army organization and disbandment would become operative.

3. Dr. C. T. Wang.

My impression along the above lines was further confirmed during a later interview with Dr. C. T. Wang, Foreign Minister, who stated it was essential that the military forces be reduced and that a study was now being made by the Ministry of War to determine the best means of effecting the reduction. Replies of prominent officials as to the ultimate disposition of grey generals and their troops were vague. I am satisfied they realize that the continued existence of these large armed forces, the loyalty of which cannot be depended upon, constitutes a serious menace to the peace of China, and that it is a subject receiving serious consideration by General Chiang Kai-shek.

Dr. Wang spoke at length upon the matter of increasing the number of provinces by breaking up some of the present large provinces. He said this would be a difficult undertaking and would require time, but that the government was firm in its decision that it must be done to reduce the power and authority of provincial chairmen and further the progress of the unification of China. Dr. Wang stated that the visit of the Young Marshal to Nanking had completely cleared the atmosphere of doubt as to cordial relations existing between the North and South, and that complete accord was arrived at for close cooperation between Mukden and Nanking. He said the Young Marshal had been charged with the rehabilitation of the northwest provinces, and that the Nanking Government would interfere only in an advisory capacity.

4. A Note of Discord in the Government.

It is common talk in and about Nanking that a split has occurred between certain heads of the government and that bitter feeling is running high. There is a reported feud between T. V. Soong and Hu Han-min; that they are on strictly official terms and whenever the

opportunity presents itself each delights in causing loss of face to the other in official matters. Of course the Soong influence, dominated by Chiang Kai-shek, constitutes the most powerful element in the government, but it is said the heads of the Legislative, Judicial, Examination and Control Yuans operate along independent lines and have not declared for any political group.

It is certain that so long as outside forces threaten the existence of the government just so long will the present personnel hang together; but when outside danger is eliminated then will the forces of opposition within the government begin to act, and what the results will be no one can foretell.

5. The Young Marshal at Tientsin.

The Young Marshal arrived in Tientsin from Mukden on November 8, and at Nanking on November 12. He returned to Tientsin from Nanking on December 6, where he still remains with no evidence of when he will return to Mukden. His long stay in Tientsin and secret conferences with important military and civil officials from all parts of the North have given birth to many and varied rumors. Nothing of a definite nature regarding the results of the conferences has been given out and surmise is rampant.

The Chinese press is publishing information that the Young Marshal is surrendering his authority in the Three Eastern Provinces to Chang Tso-hsiang, and that he intends to establish the headquarters of the Vice Commander-in-Chief of the Army, Naval and Air Forces in Peiping.

Other reports state that he has been stripped of his power in the Northeast and will not return. Many people think that the fact that he has been absent from Mukden for two months, one and one-half months of which have been spent in Tientsin, lends flavor to the rumors; however, the belief of this office is that the task imposed upon the Young Marshal by Nanking is a difficult one and has required conferences with important officials whom it was necessary to summon to Tientsin in order to effect a satisfactory settlement of affairs in the Northwest Provinces, including the putting into operation instructions for the abolition of likin and/replacement by substitute taxes. The strength of the Young Marshal is centered in his authority and control of the Northeastern Provinces. Once he relinquishes this power he will cease to be of value to Nanking and he will pass out of the picture.

It is believed that upon the completion of his conferences with T. V. Soong, C. T. Wang and the Northern officials, now in progress, he will return to Mukden.

6. Communist-Bandit Activities.

The Chinese press of January 13th and 14th publishes reports of serious reverses experienced by government troops in Kiangsi. It states that the 18th Division at Kian has been disarmed by the communist-bandits; that the 50th Division has been defeated and its commander, Tan Tao-yuan, narrowly escaped. It further states that Lu Ti-ping, Chairman of Kiangsi, has resigned because of his failure to suppress communist-bandit activities in his province.

Another report states that the 4th Division under Ch'ing-lin, stationed at Ninglinhsien in eastern Honan, has been disarmed by the government because of disobedience of orders, and the division commander put under arrest. The above information was confirmed in a telegraphic report from Nanking dated January 14, 1931.

7. Miscellaneous.

Rendition of Belgian Concession. The Belgian Concession at Tientsin was returned to China on January 15, 1931, with appropriate ceremonies, in the presence of a representative of the Belgian Minister and Dr. C. T. Wang, Minister of Foreign Affairs.

Cold Weather in the North. The North has been visited by the most severe cold weather experienced in years. During the early part of January, many Chinese in Tientsin and Peiping froze to death. In Peiping, for several days fifteen to twenty frozen corpses, mostly beggars and coolies, were picked up off the streets.

Chinese New Year. The Government's effort to interest the public in the substitution of the solar for the lunar New Year has not been very successful, and business settlement in general will no doubt be made as formerly at the lunar date.

Silver Situation. During a conversation between Dr. C.T. Wang and our Minister at Nanking, at which I was present, the subject of a loan of 500,000,000 ounces of silver to China was discussed. Dr. Wang volunteered the information that Judge Linebarger, who is a legal adviser to the Nanking Government, had not been authorized to negotiate a loan for China in the United States, but had been instructed to the effect that if the United States offered to loan this amount of silver to China, the purpose being to stabilize the silver market, that China would be able to use it to good effect. His reasons were that during the past few years, due to civil war and other internal disturbances, transportation was interrupted and such business as was carried on resulted in silver gradually finding its way into the vaults of the banks in the port cities, where it is now hoarded in large quantities; that with the cessation of hostilities and conditions returning to normal, transportation will be re-established and in the movement of crops, etc., silver dollars will again begin to move inland, and he believes a large amount will be needed to meet the demands of the farmers who prefer silver to paper money.

Attack on Sir Aurel Stein. The National Commission for the Preservation of Antiquities, located in Peiping, has aroused great interest in Chinese circles by its attack on Sir Aurel Stein, the well known explorer, now in Sinkiang, because of alleged breach of faith with the Chinese Government. This is the same Commission that has made it impossible for the expedition headed by Dr. Roy Chapman Andrews to continue research in the Gobi Desert because of imposition of impossible terms to be met with. It appears certain that no foreign expedition will be permitted to explore and make scientific research in China or any territory claimed by China unless this Commission is handsomely paid.

8. Conclusion.

The year 1931 begins with peace in China and the horizon appears free from threats of open hostilities during the coming year. With the end of organized military opposition to the Government and the visit and virtual submission of the Young Marshal to Nanking, the Government has acquired new prestige and increased power. As a result, the coming year will see increased efforts on the part of the Government to abolish extraterritoriality and to recover concessions and lease-holds from foreign powers. It is believed that those powers enjoying extra-territoriality, holding concessions, lease-holds and other special privileges, have a very unhappy outlook for the coming year. The handwriting has appeared on the wall in the form of precedent established by Great Britain and Belgium in the surrender of concessions, and struggle as they will, China will gradually take away from the powers those privileges they enjoy that affect the sovereignty of China.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

January 16 - 29, 1931

1. General.
2. Communist-Bandit Suppression.
3. Reduction of Armed Forces.
4. Adjustment of Finances.
5. Rehabilitation of the Northwest.
6. The People's Conference.
7. Miscellaneous Notes.

RECEIVED G/2 W. D. FEB 25 1931

1. General.

After a sojourn of a month and a half in Tientsin, the Young Marshal, accompanied by a few members of his immediate official family, embarked in a Ford tri-motor plane on the morning of January 18, 1931, and in a few hours (three and one-half) arrived in Mukden (Shenyan), thus dissipating the many press rumors to the effect that he would not return to Mukden but would turn over his administrative duties to members of the Old Guard and establish his military headquarters in Peiping and reside there.

The departure of the Young Marshal was followed by Shansi and Kuominchun commanders, who had spent the past month in Tientsin conferring with Marshal Chang.

The Government at Nanking, in order to further unification and insure continued peace in China, must find solution of many difficult problems of a political, military and economic nature, among the most important demanding immediate attention being:

(a) Communist-bandit suppression.
(b) Reduction of the huge armed forces.
(c) Adjustment of finances (this includes complete abolition of likin and inauguration of substitute taxes, and settlement of the silver crisis.)
(d) Rehabilitation of those provinces devastated by war, especially the Northwest Provinces.

In addition to the above, the Government is actively engaged in preparations for the meeting of the People's Conference early in May, and formulating plans for an intensive offensive against the foreign powers for the return of concessions and abolition of extraterritoriality.

2. Communist-Bandit Suppression.

Reports to the contrary, communist bandit outrages continue south of the Yangtze River, and although large forces of government troops (estimated at 200,000) have been thrown into Hunan and Kiangsi, suppression of Red activities has not been accomplished; in fact, it has been confirmed that several of the government divisions have suffered defeat in southern Kiangsi in the Kian area. The critical situation is evidenced by the summoning of important military commanders to Nanking for conference, the designation of Ho Ying-chin (Minister of War) as commander of all troops engaged in the suppression campaign, and the report that the former Kuominchun troops under General Sun Lien-chung (now in southwest Shantung) will be sent into Kiangsi against the Reds. General Chiang has given public expression of his dissatisfaction with the dilatory manner

in which commanders have carried on the suppression campaign. A report from our Consul in Tsinan has reached this office stating that the "grey" generals, Han Fu-chu, Ma Hung-kwei, Sun Lien-chung and Shih Yu-san, are evidencing uneasiness at the possibility of being sent on communist-bandit suppression duty, and that a conference was held in Tsinan recently, attended by the above generals, for the purpose of forming a united front to resist orders from Nanking. This report confirms information along the same lines received from the Japanese Military Attache some weeks ago.

It is believed that the sending of grey troops on a mission of communist-bandit suppression into the communist-infested areas south of the Yangtze is fraught with great danger and will only be resorted to by the government as a last measure. It is not believed former Kuominchun troops will be sent unless incorporated in loyal units.

3. Reduction of Armed Forces.

China's military forces are more numerous to-day than at any time during the past year while open hostilities were engaged in, and no doubt presents one if not the most serious problem confronting the government for immediate solution.

There is no need for the present large armed forces, which constitute a tremendous financial burden to the government, but what can be done with them? The government is afraid to initiate demobilization on a large scale, and the continuance of these large forces is seriously affecting the economic life of the nation.

Orders for disbandment without liberal compensation would be disobeyed by the commanders concerned. The situation in Shansi is a good example of what to expect. The Shansi and Kuominchun generals have refused to disband until their demands for money have been met. It is true there is no organized military opposition to the government in the sense of open hostilities, but there is passive, organized military opposition on the part of the grey generals who will not obey the mandates of the government when it is a question of disbanding their troops.

There is, however, some justification in the belief that a satisfactory solution will be arrived at. This belief is based on the fact that the important commanders are getting together to discuss the best way out of their difficulties. The conference at Tientsin is reported to have reached a satisfactory settlement to those in attendance, though opposition comes from subordinate officers who remained in Shansi.

Important commanders from the Kwang provinces have been summoned to Nanking for a conference to determine upon a satisfactory settlement of conditions in Kwangsi. Other conferences attended by the most important military commanders have been held from time to time in Nanking for the purpose of discussing measures for communist suppression. It is truly a good sign if the leading officials will get together for discussion rather than stand aloof and view each other with suspicion. The continued existence of grey generals in command of grey troops well armed and equipped will constitute a potential menace to the peace of China.

4. Adjustment of Finances.

With plenty of money China's most difficult problems would be easy of solution; therefore, China's great problem is to obtain money. With the end of civil war it is true that China in general is unified in so far as peaceful intercommunication is concerned; in fact, many economic reforms have been adopted and put into effect during the past few months.

Among the most important of these is the abolition of likin and the inauguration of substitute taxes, which became effective on January 1, 1931. Information from all parts of China where the government has contact indicates that the orders of the government have been obeyed and likin and similar miscellaneous taxes were abolished on January 1, 1931. An atmosphere of business optimism prevails which augurs well for the future.

The silver crisis is occupying public attention throughout China. All the principal papers are running daily editorials diagnosing the case and prescribing treatment. Strange as it may seem, no two recommend similar treatment. There is a great variety of opinions as to whether a silver loan to China will be beneficial or not; the general opinion seems to be that further dumping of silver in China would further depress its value. The general feeling among Chinese seems to be that the desire of silver producing countries to loan to China is dictated from a sense of selfishness and with a desire to benefit the producer to the detriment of China.

With the new tariff increase which went into effect on January 1, 1931, all imported articles have reached a price far beyond the reach of the masses. However, local produce has not changed in price and with the present rate of exchange the cost of living applied to local produce is very cheap. There is much talk of standardizing the currency issue but to date nothing has been done. Currency issued by authorized banks in Peiping and Tientsin will not be accepted south of the Yellow River. Even the railroad at Nanking and Chengchow, on the Kin-Han, will not accept Peiping or Tientsin currency. It seems absurd to claim unification of a country without standardization of its currency.

5. <u>Rehabilitation of the Northwest</u>.

The Young Marshal has been authorized by Chiang Kai-shek, with the full approval of the National Government, to settle all outstanding domestic, political and military problems in the provinces north of the Yellow River, including Suiyuan. Since his arrival in Tientsin on December 6, 1930, the Young Marshal has been fully occupied with trying to find a suitable solution for the rehabilitation of Shansi, formerly known as the model province, but now stripped of its prosperity and the retreat of defeated military forces whose presence is adding further despair and discouragement to the populace. Following is a list of defeated troops who have taken refuge in Shansi:

1.	The Shansi troops estimated	- 200,000
2.	The Kuominchun "	- 50,000
3.	Sun Tien-ying) former	- 20,000
4.	Kao Kwei-tze) bandits	- 15,000

In order to relieve the people of the burden of supporting this heterogeneous array of blood-sucking militarists, the Young Marshal summoned the commanders of these military forces to meet him in Tientsin to discuss ways and means for improving the situation in Shansi. This conference continued until January 18, 1931. While there has been no official statement regarding the subject discussed there is no doubt that most of the conversation centered about the matter of finances. This is borne out by the fact that T. V. Soong, Minister of Finance, arrived in Tientsin and spent some time in conference with the Young Marshal. The vernacular press has informed the public that satisfactory settlement had been arrived at; that money would be made available for reorganization and disbandment of troops in Shansi. However, following these press reports comes information from Shansi that the proposals adopted at the Tientsin conference are not acceptable to the subordinate officers and troops, and the situation grows ever more serious. Unless the demands of

the commanders for money to relieve the suffering of the troops is met, it is feared they will take desperate measures to force their demands. The situation in Shansi borders on chaos and may require physical interference on the part of the government to effect adjustment.

6. The People's Conference.

The government organs concerned are busily engaged in arranging details for the People's Conference, scheduled to meet on May 5, 1931. The meeting of this conference will be the realization of one of Dr. Sun Yat-sen's express desires. As the date for the conference approaches, intense interest in its proceedings will be manifest throughout China, and the eyes of the whole world will be turned on Nanking during the session, which will be attended by 520 delegates from all parts of China and representative of China's most advanced business and educated population. Many reforms and policies affecting the future of China and the foreign powers will no doubt be adopted during this conference. (See Report No. 7929.)

7. Miscellaneous.

Removal of Legations to Nanking. This matter is being given serious consideration by the Foreign Minister, Dr. C. T. Wang. A tentative area has been selected and a map indicating available space will soon be presented to the different legations for comment. While in Nanking early in January, I drove around the area. It is probably the most desirable in Nanking——it is located on rolling hills and could be transformed into an attractive sector.

The French Minister informed me he had no intention of moving the Legation to Nanking; that he is establishing a No. 2 Legation there and will run a roster among his secretaries, each to remain in Nanking as liaison officer for four months. He stated that the French Consulate would be removed. I understand this same procedure is to be followed by the United States and Great Britain.

League Experts Invited to China. The Council of the League of Nations, through its Secretary General, has approved the request of the Chinese Government to have Sir Arthur Salter, League expert of the economic and financial organizations, visit China to discuss questions relating to the effect of the present world depression on China's economic activities.

Also, Mr. Robert Haas, Director of the League's communications organization, is coming to discuss problems of inland waterways and land reclamation.

Dr. Rajchmann, Director of the League's health organization, is now in China, reported to be meeting with officials in Nanking.

Abolition of Special Municipal Governments. In order to reduce expenses incident to maintenance of large personnel, the Special Municipal Government of Hankow, and the Municipal Governments at Tsinan and Ningpo are to be abolished. It is said the personnel of provincial government headquarters can handle necessary administration.

Overt Acts of Legation Guards in Peiping. It has recently become a habit for personnel of certain legation guards, while attending moving picture performances, if pictures are shown that they disapprove of to demand that the performance stop, and in some cases they even take by force the films and destroy them. This has occurred twice during the last

six weeks. In one case, members of the Italian Guard in full marching order took exception to a picture and destroyed the film. Yesterday (January 28) French soldiers stopped the performance. These acts take place in the most exclusive moving picture theatre in Peiping. It is not known what disciplinary action, if any, the legations concerned take, but this open-handed manner of taking the law into their own hands is causing bitter comment among the foreign residents as well as Chinese.

There is no doubt that such action on the part of personnel enjoying diplomatic privileges will stimulate the Chinese in their effort to rid themselves of this undesirable foreign element, in pressing their demands for return of concessions and abolition of extraterritoriality.

N. E. Margetts

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COMMENTS ON CURRENT EVENTS

Jan. 30---Feb. 12, 1931.

RECEIVED G/2 W. D. MAR 13 1931

1. General.

Four months have now passed since the rebel coalition in the North crumbled and its armies disintegrated. A period of rest and recuperation came to war-ridden China. The Government at Nanking began a strenuous campaign of reform with a view to further unifying China and insuring continued peace. The efforts at reform if successfully executed would bring much comfort to the population of China, but the rumbling of disaffection is becoming audible from many parts of the country and is growing ever and ever more ominous.

Let us analyse the general situation from the point of view of a neutral. North of the Yellow River one is justified in observing the situation with reasonable optimism. It is true the conference of delegates that met at Moscow last year to adjust differences existing between the two countries has to date resulted in an impasse, and if opportunity presents, Russia may press with strong military backing the demands for settlement of the C.E.R. controversy and re-establishment of commercial and diplomatic relations. At present Moh Teh-hui is in Nanking reporting results of the Sino-Russian conference to Chiang Kai-shek and to receive further instructions. It is significant that Eugene Chen should arrive in Nanking the same time Moh Teh-hui reported to the Government.

Peace in the North is threatened by the unsatisfactory conditions in Shansi. Information is given to the public that satisfactory terms have been arranged with the military commanders for the reorganization and disbandment of their troops; however, reports coming out of Shansi are to the contrary and must be given weight when one considers that the hundreds of thousands of defeated troops who have taken refuge in this province have been living for four months off a poverty stricken populace with no financial assistance from outside. How long can these armies be kept under control without pay and without sufficient means of livelihood? Shansi in its effort to support this large force of non-producers in addition to its population will, unless outside assistance is rendered, soon resemble a country swept by a plague of locusts. Shansi is the open wound in the North and may become badly infected before it heals.

Conditions in Shensi further to the west are reported quiet. This is to be expected since the Kuominchun under Feng Yu-hsiang has left this province stripped. The suffering of the population during this winter has been frightful and has resulted in hundreds of thousands of its people freezing and starving to death in spite of the efforts of the organizations for famine relief. Late reports are to the effect that Shensi is suffering invasion by rebel military units from Szechwan. Reliable information received states the Szechwan troops have defeated government troops sent to stop them and that several towns in south Shensi have been occupied. The purpose of invasion and the object to be attained is difficult to visualize, because of the present poverty stricken condition of the country.

Further west in Kansu the situation is reported to be bad. Bandits and rebellious Mohammedans are active and it is doubtful if the new Chairman, Ma Hung-ping, will be able to control conditions without assistance from the government.

From M/A, China Report No. 7944 February 12, 1931

Going south into Szechwan we find this large province divided into spheres of influence, each controlled by independent warlords who are openly hostile to each other and to Nanking. Because of the inaccessibility of this area the government is helpless and although Chiang Kai-shek threatens to send troops to enforce his authority the possibilities of such an expedition are vague. Reports, lacking confirmation, state General Wu Pei-fu is again active in northeast Szechwan.

Further south Kweichow appears as a province of mystery. Little or no information comes out of this isolated region. What little news is received indicates that the Reds are pretty generally in control.

Yunnan is having trouble. The Yunnanese troops who invaded Kwangsi last year and in conjunction with troops from Kwangtung lay siege to Nanning, were defeated and have withdrawn inside the boundary of Yunnan, and reliable information received states the provincial authorities are taking drastic steps to prevent these defeated units from reaching Yunnanfu, the capital. There is also an unconfirmed rumor that General Pai Chung-hsi and General Chang Fa-kuei, leaders of the Kwangsi clique and the famous "Ironsides", respectively, are moving into Yunnan with a view to gaining control of this province.

Moving east from Yunnan we find the province of Kwangsi in complete control of the warlords Li Tsung-jen, Pai Chung-hsi and Chang Fa-kuei. These three leaders enjoy an intense hatred for Chiang Kai-shek. It was Li Tsung-jen and Pai Chung-hsi who forced Chiang Kai-shek to leave Nanking in 1927 for a vacation in Japan, and later Chiang revenged himself by forcing these officers, who headed the Kwangsi clique, to flee Nanking. There is no love lost between the head of the government and these leaders and it is believed doubtful whether or not these men will voluntarily submit to Nanking. There are reports and denials of open hostilities continuing in Kwangsi against the government. Delegates from Kwangsi and Kwangtung are now in Nanking arranging for a peaceful settlement of conditions in the Kwang Provinces.

Continuing north into Hunan, Kwangsi and Hupeh, we find the communist-bandit conditions little improved for the government. Large contingents of government troops have been sent into this area controlled by the Red terror. It is true the government controls the railroad running south from Wuchang and Kiukiang and has occupied large cities in these provinces, but the troops are tired and the campaign is carried on in a dilatory manner and without enthusiasm. In a last effort to accomplish something definite and to stimulate military activity against the ever growing communist terror, Chiang Kai-shek has designated his right-hand military associate, Ho Ying-chin (Minister of War) to command the government forces engaged in communist-bandit suppression, and General Ho with his staff is now in the field. This area has proved to be a cemetery for many important military reputations during the last year, and I fear others will be buried here before the Red terror is wiped out. Chiang will not command in person——he realizes the futility.

Famine and banditry are stalking the population in west Honan, and many districts in Anhwei are suffering likewise.

Back from the coast line in the provinces of Fukien and Chekiang, communist and bandit outrages continue without serious opposition on the part of the government.

The situation in Shantung is no doubt a cause of much uneasiness on the part of the government. Conditions are reported to be quiet, but the 150,000 well armed and equipped soldiers commanded by former Kuominchun officers constitute an ever potential menace to the government.

This condition is augmented by the belligerent attitude of Shih Yu-san who is located just across the border in southern Hopei and who, because of his repudiation by Nanking, maintains a hostile air of defiance toward the government evidenced by his refusal to turn over the rolling stock in his possession.

The latest move on the part of the government in ordering Sun Lien-chung to transfer his troops from Shantung to Kiangsi to assist in communist-bandit suppression is for the purpose of breaking up this coalition of grey generals. It is reported on good authority that Ma Hung-kuei is to be moved to Kansu to assist his relative, Ma Hung-ping, Chairman of Kansu, in the rehabilitation of that province. For some time it was rumored that General Sun Lien-chung had refused to comply with the Nanking order, but information from our Consul in Tsinan states that Sun's troops are on the move.

In view of the above analysis it is of interest to note that the power and authority of Nanking extends over a limited area; the following is an approximate resume of the provinces controlled and partially controlled and those wholly excluded from control of Nanking:

Controlled	Partially Controlled	No Control
Kiangsu	Chekiang	Kwangsi
Anhwei	Fukien	Yunnan
Shantung	Hunan	Kweichow
Honan	Kiangsi	Szechwan
Hupei		Kansu
Shensi		Tibet
Kwangtung		Sinkiang
		Kokonor
		Ningsia
		Mongolia

Nanking exercises no authority over provinces north of the Yellow River, including the four Northeastern Provinces, except at the pleasure of Chang Hsueh-liang, which can be terminated at any time at the discretion of the Young Marshal.

2. Conclusions.

(1) Although there are many sensitive areas in different parts of China, convulsions in any one of which might spread rapidly, present indications point to a period of general peace so long as Nanking and Mukden are in agreement.

(2) The peace of China may be interrupted by activities of rebellious elements in the following sensitive areas:

a. Communist-bandit activities in the Yangtze provinces of Hunan-Kiangsi and part of Hupeh. These provinces are aflame with Red activities and it is not believed pacification will be effected for a long period.

b. Kwangsi is controlled by an element hostile to Chiang Kai-shek who will not submit to the mandates of Nanking unless their demands are met or sufficient force is made available to subdue them. In a last extremity this element may join with the communists in Hunan.

c. Shansi. It is difficult to see how satisfactory settlement can be made with commanders of defeated troops who have taken refuge in Shansi and are protected by an impregnable range of mountains. If the commanders therein join forces to resist orders from the government it would be a difficult problem to force compliance. The practical solution for the amelioration of this unhappy situation is money, and before submission is made large sums of money must be forthcoming.

d. Shantung offers a very interesting study. With this strategic province controlled by warlords whose loyalty to the government is uncertain, the government must proceed with caution until such time as disbandment can be effected or a wide distribution of these troops realized. In the meantime large sums of money must be found to meet demands for support of this large force.

(3) During the past four months the various Yuan and administrative bureaux at Nanking have been working over-time, passing laws and preparing innumerable reforms, but to date only one mandate has been put into effect to benefit the people. That one is the abolition of likin, but even now there are heard rumors of dissatisfaction with the substitute taxes that are to furnish the revenue in lieu of that received from likin.

Enfin, I have a feeling that although on the surface there is peace, that underneath the elements of discontent and intrigue are storing up an ever increasing power of opposition which will eventually blow off the lid and release the accumulated sectional hatreds against the government.

MISCELLANEOUS NOTES

Control Yuan Organized.

General Yu Yu-jen was sworn in as Director of the Control Yuan on February 2, 1931. This Yuan is to be inaugurated on February 10, 1931, the personnel to consist of two delegates selected from each province.

Ho Ying-chin to Command in Red Area.

General Ho Ying-chin, Minister of War and intimate friend of General Chiang Kai-shek, left Nanking February 2, 1931, for Kiukiang to take command of troops engaged in communist-bandit suppression. This designation presupposes the inauguration of an intensive campaign to wipe out Red bands operating in Kiangsi and Hunan (a big job).

Shih Yu-san to Mukden.

Reliable reports give Shih Yu-san a strength of 67,000 men. He is en route to Mukden to discuss the matter of returning to the government the railroad rolling stock retained by him since the war ended, and the matter of funds for support of his troops, which are in arrears.

Eugene Chen Returns to China.

After an absence of three years, Eugene Chen, who was Foreign Minister at Hankow in 1927 and negotiated with Mr. O'Malley the Hankow-British concession rendition, returned to China on February 5, 1931. His return is the subject of many rumors. It is said he returned at the invitation of leaders of the Kuomintang with a view to discussing the

return of Madame Sun Yat-sen, and to assist in negotiations with the Soviets. Last year he married the daughter of Chang Ching-kiang, who is a close friend of Chiang Kai-shek and one of the leaders of the Kuomintang.

Yen Hsi-shan's Property.

The government at Nanking has issued instructions to all provincial and municipal governments to seal up all property belonging to General Yen Hsi-shan, who is charged with confiscating 10,000,000 dollars of Shansi funds at the time of his departure for Tientsin.

Financial Plan of Paul Monroe.

It is understood the plan for the improvement of economic conditions in China, as drawn up by Professor Paul Monroe of Columbia University and discussed with the officials at Nanking during a recent visit, has not met with favorable response.

The Silver Question.

The great interest aroused throughout China with the report that a large silver loan would be made to China from the United States has evidently diminished as the papers fail to discuss the matter at length any more.

Abolition of Extrality.

An extensive propaganda is being spread by the government in the campaign for abolition of extraterritoriality, and definite assurances are being given the people by the authorities at Nanking that abolition will be effected this year, if not by successful negotiation with the powers concerned then by repudiation.

Chinese New Year.

Extensive plans are being made to celebrate the Chinese New Year. Notices are appearing in the daily papers to the effect that all important business houses, banks, etc., will close from February 17th to the 21st. This does not include government offices.

Chang Tso-hsiang,

Chairman of Kirin and No. 2 official in Manchuria, has refused appointment as a member of the C.E.C. It is stated refusal is based on lack of sympathy with Nanking.

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COMMENTS ON CURRENT EVENTS

February 13 - 26, 1931

RECEIVED G/2 W. D. MAR 27 1931

1. Extrality.
2. Communist-Bandit Suppression.
3. Taxes.
4. Headquarters of the Young Marshal.
5. Head of Salt Gabelle Dismissed.
6. The Silver Situation.
7. New Parties.
8. Return of Mo Teh-hui to Russia.
9. Miscellaneous.

1. Extrality.

The Nanking Government is inaugurating a determined campaign having for its objective the abolition of extrality. The vernacular press as well as those foreign journals subsidized or controlled by the government are with each issue giving more and more attention to this question. The more conservative in their editorial columns are spreading a propaganda of abolition by negotiation, while the radical press is becoming daily more defiant and demanding that if abolition cannot be attained by negotiation the government take drastic measures to compel the interested powers to acknowledge the complete sovereignty of China by a return of those concessions and privileges taken by force many years ago.

Dr. C. T. Wang, Foreign Minister, fully supported by the government, is becoming very active in his demands upon the powers for immediate abolition and in a recent speech given to press representatives he concluded by saying: "I sincerely trust that China will not be forced to adopt any measure to obtain her objective other than that of friendly negotiation".

With the date of the People's Conference set for May 5, 1931, strenuous efforts will be made by the government to effect some satisfactory settlement before that date. No official statement has been given out with reference to the return to China of Eugene Chen, but certainly the demands made by Nanking on the powers since his return have been greatly stimulated as evidenced by increased activity in the foreign legations.

2. Communist-Bandit Suppression.

The situation in Kiangsi and Hunan has not improved for the government. Ho Ying-ching has been in the field since February 2, but little progress toward suppression has been accomplished. Reports from Standard Oil agents in the interior and from other reliable sources state the communist-bandit activities away from the railroad continue without opposition on the part of the military. They say the troops consist largely of young and raw recruits untrained and undisciplined, and in the more distant areas they tend to sympathize with the communists. General Ho is reported to be anxiously awaiting the arrival of General Sun Lien-chung's Kuominchun troops before inaugurating his spring campaign. Nearly five months have passed since the civil war ended, or it might be said was transferred to the South-Central provinces, and the rebellious troops of Feng and Yen have been replaced as enemies by the organized Red armies and bandit bands who are spreading terror over the country and defying the large armed forces sent by the government to suppress them.

The general situation presents a discouraging aspect. Reports indicate the military operate in a very indifferent manner, while the peasants in general sympathize and assist the communists to carry on. The problem is one not easy of solution and will of course prove a serious obstacle in the way of the government to progress and unification. The continuance of this situation will also act to encourage other discontented elements in other parts of the country. It is a stink hole that is gradually sapping the economic strength of the nation. The general opinion of those having long service in China which is given free expression is that it will require a long, long time to effectively control this menace.

As a result of the critical situation in Kiangsi and Hunan and the unsettled conditions in other parts of the country, disbandment is no longer discussed.

3. Taxes.

Abolition of likin is reported to have become generally effective and the various substitute taxes are being collected (Consolidated Tax, Consumption and Business Taxes) although there have been no general instructions published by Nanking prescribing the method of collection. The feeling of satisfaction expressed by the business men when likin was abolished is being replaced by fear that the new taxes will be more burdensome than the old, and until approved tax regulations are issued and put into effect that all sorts of goods will be taxed in all sorts of irregular ways. It amounts merely to a change of name as the new taxes applied cover virtually every commodity formerly taxed.

4. Headquarters of the Young Marshal.

In a recent conversation with Mr. Donald, foreign adviser to the Young Marshal, it was learned that since Chang's return to Mukden his popularity and prestige have increased. It is said that his mission to Nanking is looked upon as a triumph for Manchuria, as four more provinces have been added to Mukden's administration. There have been frequent reports that headquarters of the Vice-Commander of the Army, Naval and Air Forces would be established in Peiping, but to date there is no visible evidence that steps have been taken to this end. However, Mr. Donald stated that some action toward the organization of the Young Marshal's headquarters would be taken about the middle of March. In the meantime, the northern provinces are enjoying a period of peace and aside from the unsatisfactory conditions still obtaining in Shansi, there appear no untoward ripples on the surface to threaten peace in the North.

5. Head of Salt Gabelle Dismissed.

There has been a good deal of indignation in British circles as a result of the dismissal of Mr. Hussey-Freke and appointment of Dr. Cleveland, an American, as associate director of the Salt Gabelle. It seems that heretofore the Chinese Government has consulted the British authorities when a change in the head of the Salt Gabelle was considered, as the British are most interested in the loans secured by salt taxes. In this case, however, the British were not consulted and when the appointment of an American to succeed the British appointee as associate inspector was protested, the Minister of Finance replied, "The Government cannot tolerate outside interference in the matter of appointment and dismissal of its employees, whether they be Chinese or foreigners". This is just another instance of the government refusing to be guided by foreign influence.

6. The Silver Situation.

There are sporadic outbursts on the part of government officials for and against the silver loan, but the question has diminished to the simmering stage and general interest is lagging.

It appears that Judge Linebarger, who is a Hu Han-min man, is in America doing a lot of talking; much of what he is alleged to have said is calling forth denials from his boss. The officials directly interested in any loan America may make to China are maintaining a discreet silence, and are said to be awaiting the arrival of experts from the League of Nations before taking action.

7. New Parties.

During the past months there is growing evidence that new political parties are in process of organization. The vernacular press has reported a States Socialist Party active in the North. There is also frequent reference to a party designated as New Nationalism and another called the National Prosperity Party. There is little known regarding the political ambitions of these parties, except that they are opposed to the present Kuomintang Party and Government.

8. Return of Mo Teh-hui to Russia.

Mo Teh-hui, the Chinese chief delegate to the Moscow Conference, has been in Nanking for a prolonged period and now, after receiving final instructions from the Foreign Minister, is en route north. An interesting feature of his visit is in the appointment of two special delegates who will accompany him when he returns to Moscow to renew diplomatic conversations, Messrs. Ch'ien T'ai and Hsu Chien-p'ing. These special delegates are charged with discussing the resumption of diplomatic and commercial relations. This would indicate an expansion of subjects to be discussed when the conference reconvenes.

9. Miscellaneous.

Taiyuan Arsenal. Information received from one recently returned from Shansi states the Taiyuan Arsenal is working a full day shift turning out arms and ammunition, which is being stored in Taiyuan. The Young Marshal has had his ordnance experts inspect this arsenal (it is not known for what purpose) but he is said to be much pleased with the efficient operation of the plant.

Dr. H. H. Kung was designated to go to Shansi (his native province) as the party inspector, but has managed to indefinitely postpone his visit on the ground that his new duties as Minister of Industry will not permit him to leave Nanking. Kung remained with the government during the Yen rebellion and it is doubtful just what sort of reception he would receive upon his return to Shansi. It is interesting to note that he has been appointed to fill a vacancy on the C.E.C., thus adding another member of the Soong Dynasty to the highest office in the government and party.

The Lunar New Year has been celebrated this year much as it has been celebrated in centuries past. The government has tried to set what no doubt it considered a noble example but the people clung to their old customs.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

February 27-March 12, 1931

RECEIVED G/2 W. D. APR 9 1931

1. Resignation of Hu Han-min.
2. Shansi.
3. Government Newspaper in Peiping Raided.
4. Kwangsi.
5. Wu T'ieh-cheng.

1. Resignation of Hu Han-min.

The political situation at Nanking became highly charged in the early part of March with events that may cause a serious break in the Kuomintang and among the respective leaders.

On February 28, following a bitter controversy with Chiang Kai-shek over the agenda for the forthcoming People's Conference, Mr. Hu Han-min, a serious contender with Chiang for control of the government, was forced to resign from the Chairmanship of the Legislative Yuan and other concurrent posts and was placed under close surveillance by order of Chiang Kai-shek. It has been generally known for a long time that the relations between Chiang and Hu have been strained and that the bitter rivalry between the two leaders would eventually cause the elimination of one or the other.

Hu, the law maker, has gradually assumed an attitude of open opposition to many pet reforms advocated by Chiang, the dictator, who now feeling himself strong enough has caused Hu to be relieved of his official functions.

Interviews given out by government officials at Nanking attempt to minimize the seriousness of the break in Party affairs, but dispatches appearing in Chinese and foreign newspapers give startling accounts of the controversy on February 28th between the two leaders which resulted in the resignation and arrest of Hu.

With the elimination of Hu from political activities, there is no official in Nanking with courage sufficient to openly oppose Chiang, whose position as dictator is considerably strengthened. It is difficult to believe that the man who occupies the most important political position in the government (by virtue of Party seniority) would be forced to resign his official positions and be placed under arrest because he voices opposition to a proposal made by the head of the government to discuss the adoption of a provisional constitution before the People's Conference. It is generally believed there are more serious charges against Hu that would dictate such action on the part of Chiang and be approved by a majority of the members of the Standing Committee of the C. E. C.

The reaction on the part of the public to the arrest of Hu has been slow in manifesting itself. Reports coming in indicate growing uneasiness in overseas branches of the Kuomintang and in South China, particularly in Canton where Hu has an important following. In the North the news was received first with surprise followed by indifference.

The fact remains that Hu has long been an obstacle in Chiang's path, and he knows that if he is to succeed at the People's Conference in having his proposed reforms adopted he must eliminate serious opposition in the person of Hu. Chiang has publicly announced that Hu's opposition to the adoption of the provisional constitution is fear that his authority as head of the law making yuan will be reduced, while Hu retorts with insinuations that Chiang supports the adoption of the provisional constitution with the view to being legally elected President of China.

Reliable information coming out of Nanking is to the effect that there is a division of thought among leaders that is resulting in new political groupings. It is said that Chiang is leaning toward the point of view of the Leftists headed by Wang Ching-wei and it is believed would welcome a reconciliation (based on his own terms) before the People's Conference, but the old guard, headed by Hu Han-min, indignantly opposes the government humiliating itself by accepting its opponents' program.

Hu Han-min has long been a bitter opponent of Wang Ching-wei and other Leftists in exile. Wang is senior to Hu in the party and enjoys great popularity throughout China. With the removal of Hu it is believed Wang Ching-wei will be approached with a view to reconciliation of the government and the Leftists. If Chiang proposes a conference with leaders of the Left Wing for discussion of ways and means to unify and promote the welfare of China and his proposal is refused, this fact should further strengthen the position of Chiang and add to his dictatorial power.

The political pot has reached the boiling point in Nanking——how long can the lid be kept on?

2. Shansi.

The situation in this once model province is becoming very grave. The military commanders are finding it difficult to control some 200,000 men while awaiting promised financial relief which does not come, and it is reliably reported that Mukden has declined to accept responsibility for military expenses of the Shansi Army. Conditions are critical; a series of mutinies have taken place, and unless prompt measures are taken for immediate relief it is not difficult to visualize what will happen if mutiny spreads throughout the military units.

The government of Shansi, under General Shang Chen, appears to be helpless and is making frantic appeals to Nanking and Mukden for assistance.

3. Government Newspaper in Peiping Raided.

An incident that may have far reaching effect occurred at 7:00 p.m. on the night of March 8, when a government newspaper office on Morrison Street, just across from the police station, was raided by some forty young men and much damage done to property in addition to injuring some of the employees.

The raiding party appeared in no hurry and after putting the plant out of action they departed. Shortly after, the police arrived. One arrest was made of a person not involved; no other arrests have been reported although appeal to the police was made by officials of the paper.

The following points of interest in connection with the raid have been disclosed, which appear significant:

(a) The newspaper office, a government organ, is located across the street from a police station and the raiders were not interfered with by police.

(b) The paper has recently contained articles attacking the Acting Mayor of Peiping and other prominent Fengtien officials.

(c) The raiding party is said to consist of members of a new party calling themselves the New Nationalism and hostile to Nanking.

There is a reported movement in the North to organize various parties in opposition to the Kuomintang which will eventually merge to contest with the government at Nanking for control of the government.

4. Kwangsi.

The publicity given out by Nanking that negotiations with Kwangsi delegates, Generals Huang Shao-hsiung and Wu Ting-yang, had been satisfactorily concluded appears to have been premature, as information from South China states that the leaders of the Kwangsi group, i.e., Li Tsung-jen and Pai Chung-hsi, have refused to accept the terms offered by Nanking. As a result, Wu Ting-yang has resigned as Commissioner and Huang remains at Canton, fearing to proceed to Nanning without assurances from the Kwangsi leaders.

The United Press publishes a letter signed by Li Tsung-jen at Nanning, dated March 3, in which he repudiates any terms offered by Chiang Kai-shek and states he will fight until final victory against any attempted dictatorship.

The hostile attitude of the Kwangsi leaders is strengthened as a result of the dismissal of Hu Han-min by Chiang Kai-shek, as this will have an important bearing on the attitude towards Kwangsi of the Kwangtung general, Chen Chi-tang, Commander of the 8th Army, who is a protege of Hu Han-min.

5. Wu T'ieh-cheng.

According to the Chinese press, on March 11th the Central Political Council appointed Wu T'ieh-cheng, a member of the C.E.C., as Superintendent of Police Administration throughout China. It will be remembered that Wu T'ieh-cheng was at the commencement of hostilities in 1926, Public Safety Commissioner of Canton. During the era of Russian influence

he was an ardent pupil of Borodin and it is believed knows as much as any foreigner about Cheka methods. It is thought that this appointment may presage the formation of a governmental secret service, in which case General Wu is particularly suited to the post of chief.

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COMMENTS ON CURRENT EVENTS

March 13 - April 1, 1931

RECEIVED G/2 W. D. APR 29 1931

1. General.
2. Extrality and the People's Conference
3. The Young Marshal
4. Communist-Bandit Activities
5. Shansi
6. The Kwang Provinces
7. Miscellaneous Notes

1. General.

A peaceful atmosphere hangs over China and the people in general are enjoying a period of relaxation, free from the worries of civil war and military oppression. There are a few sensitive areas in which the Red-bandit activities and the defiant attitude of certain discontented warlords are demanding the serious attention of the government.

The Red activities are generally confined to the south-central provinces where large government forces are attempting to suppress the Reds but meeting with little success. While the defiant warlords are in control of the provinces of Kwangsi, Yunnan and Szechwan, the authorities at Nanking appear to have the general situation well in hand, and reports indicate that mandates issued from Nanking are generally complied with in all parts of the country where the authority of Nanking penetrates.

2. Extraterritoriality and the People's Conference.

The questions of extrality and the People's Conference, scheduled to meet May 5, 1931, are closely allied. Chiang Kai-shek has publicly stated that the two most important questions engaging the attention of the People's Conference will be abolition of unequal treaties and the adoption of a provisional constitution for the period of political tutelage. In regard to the first question, Chiang has appealed to the people to support the government in its effort to carry out the instructions of Sun Yat-sen and effect the abolition of the unequal treaties and extrality either by peaceful or other means. This extrality propaganda is creating favorable reaction throughout the country and it can be truly said that on this subject China is unified. As the date for the assembly of delegates to the People's Conference approaches, the Foreign Minister at Nanking is making desperate efforts to get a favorable reply from the interested powers to the demands for immediate and unconditional abolition of extrality. In the event of failure to get favorable action and have something definite to present to the Conference, it is not believed the government will have the courage to face the delegates and suffer loss of face by admitting defeat. In this event, the only alternative would appear to be postponement of the conference.

In regard to the second question proposed by Chiang, he has taken the necessary precaution to eliminate individual opposition to his proposed reforms and, in order to avoid Party opposition, the election of delegates will be in accordance

with his wishes. It will be interesting to note whether or not delegates representing the left wing will be invited or permitted to attend. I am inclined to the negative belief.

3. The Young Marshal.

Chang Hsueh-liang remains in Mukden despite constant rumors that he is coming to Peiping to establish the Headquarters of the Vice-Commander of the Army, Naval and Air Forces. It is true that he never informs anyone other than his immediate official family of his movements, but it is not understood why he should establish his headquarters in Peiping rather than at Mukden, which is the strategical location for the administration of his eight provinces.

A question much discussed is: Will the Young Marshal go to Nanking to attend the People's Conference? There is no doubt that Chiang Kai-shek will make a desperate effort to persuade the Young Marshal to attend. His presence would immediately dissipate rumors of strained relations between Nanking and Mukden. The presence of the Young Marshal at the conference would be a confirmation of loyalty and cooperation, and would tend further to unite the North and South. It is difficult to visualize the reaction if he refuses to go. It would naturally please the enemies of the government. I believe he will attend. (See Report No. 7981, Captain Mayer's Trip to Mukden and Harbin.)

4. Communist-Bandit Activities.

The government has directed that hereafter the term communist-bandit shall be changed to Red-bandit.

Reliable reports indicate government troops are making some progress in Kiangsi and Hunan, while Red activities are increasing north of the Yangtse in Hupeh and southern Honan as evidenced by the mutiny of the 12th Division, their joining the Reds, and destruction in early March of a big section of the Kin-Han line. (See Report No. 7978, Lieutenant Kanaga's report of trip to South of Yangtse.)

5. Shansi.

The reported serious conditions in Shansi appears to have been exaggerated (see Report No. 7974, Captain DePass' visit to Shansi.) No doubt there is much unrest in the south of this province where the remnant Kuominchun and grey troops are located; however, they cannot accomplish much in the absence of supplies and war materiel.

6. The Kwang Provinces.

A veil of uncertainty covers the situation in Kwangsi and Kwangtung. It appears that the two commissioners, Generals Huang Shao-hsiung and Wu Ting-yang, who had been charged by Nanking with the rehabilitation of Kwangsi, arrived at Canton about the time Hu Han-min was dismissed by Chiang Kai-shek, and excitement ran high. Chen Chi-tang, Commander of the 8th Route Army and the strongest military commander in

the south, owes his power and position to Hu Han-min. It is not yet known what his attitude toward the government will be. He has withdrawn his troops from Kwangsi where they have been operating against the Kwangsi clique, and it is reported he is in communication with the Kwangsi leaders, Li Tsung-jen and Pai Chung-hsi. At any rate, the two commissioners did not proceed to Nanning but about faced, Wu Ting-yang returning to Nanking for further instructions while Huang is resting in Hongkong.

I am of the opinion that conditions for the present will not improve for the government in Kwangsi; that the Kwangsi clique, who belong to the right group, will await the results of the People's Conference before taking definite action.

7. Miscellaneous Notes.

1. Lin Sen, who was designated to succeed Hu Han-min as Chairman of the Legislative Yuan, was en route to the Philippine Islands at the time Hu was dismissed. It was reported in all the papers that Lin had been instructed to return to Nanking and assume the duties of his new office. His long delay in returning has been commented on until the government gave out a dispatch that he was en route to Australia. It is said the feeling of overseas branches of the Party was one of disapproval of Chiang's action and that Lin Sen, who is popular with overseas Chinese, is being sent on a mission of pacification.

2. Liu Chen-nien. It is known that Liu Chen-nien, the grey and semi-independent general who has been in occupation of Chefoo and surrounding area during the past year, arrived in Nanking on March 13, in compliance with summons of Chiang Kai-shek. Reports state he is being detained there.

3. Shih Yu-san, who has been giving the government considerable trouble by retaining large amounts of rolling-stock, was summoned to Mukden by the Young Marshal. Reliable reports stated Shih was being detained. It is believed that Shih met the demands of the Young Marshal as he was absent from his troops for over a month. This belief is borne out by reliable information to the effect that Shih is now en route to join his troops and that all rolling-stock is being returned to the railroad authorities and his army is to be reorganized into three divisions. It appears that Chiang is taking steps to rid himself of these uncertain warlords who are a constant source of trouble.

4. Kailan Mining Administration Trouble. A serious situation has arisen in which the Peking-Mukden railroad has made demands on the Kailan Mining Administration for huge sums of money. This company is composed largely of British capital and administered by British officials.

General Kao, who is director of the railroad, has withdrawn all locomotives from the service of the company, under pretense that repairs are needed but in reality to force the company to meet his demands. This company, which is one

of the most important in China and does most of the bunkering of coal up and down the China coast, has been unable to transport coal for nearly a month. Undoubtedly General Kao is supported in his demands by Mukden, and the officials declare the only alternative to establishing a precedent for blackmail is to close down the mines. It is believed, however, that the economic demands will result in a compromise. In the meantime, coal is piling up at the mines but none is being transported. It is another case of the Chinese, the goose and the golden egg.

5. Hu Han-min. The dismissal of Hu Han-min has been accepted as an ordinary incident, and is seldom referred to in the papers and seldom heard discussed. Perhaps the censor is responsible for the suppression of further publicity. However, there are certain high officials who are showing their disapproval of Chiang's action by absenting themselves from their official duties. One of the most important is Mr. Tai Chi-tao, Chairman of the Examination Yuan. He is an intimate friend of Hu, and immediately after Hu's dismissal Tai betook himself to a temple in the hills where he still remains, regardless of the insistence of Chiang and others that he return.

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COMMENTS ON CURRENT EVENTS

April 2 - 15, 1931

RECEIVED G/2 W. D. MAY 12 1931

1. General.
2. Communism and Bandit Activities.
3. The Kuomintang in the North.
4. The Rengo News Agency.
5. Kailan Mining Administration Situation.
6. Hu Han-min.
7. Conclusions.

1. General.

There are many vital problems of a military, political and economic nature demanding the attention of the National Government in its efforts at unification and reconstruction, but all have been shelved in the face of the dominating question of abolition of extraterritoriality before May 5. The Foreign Minister is feverishly engaged in negotiations with representatives of interested powers in order to get a favorable reply before the convening of the People's Conference, only a few weeks off. There is a concentration of effort by the government on this matter as the country has been flooded with a propaganda of abolition of extrality either by friendly or other means, and the government has announced to the country that their efforts will be crowned with success before the conference meets. It begins to look as though someone is to suffer loss of face.

Aside from the burning question of abolition of extrality it is not believed the government in the conference will meet individual or collective opposition to any of the reforms or projects that will be presented, as precautions have been taken to eliminate such opposition by careful selection of delegates who will attend the conference.

2. Communism and Bandit Activities.

Government dispatches state that troops under Ho Ying-chin are progressing slowly but surely in the campaign to clean up the south-central provinces of Red activities. These reports are not borne out by information of a reliable nature received indicating that the country away from the railroad is in full control of the Reds; in fact, the government announced on April 10th that it was not safe for foreigners to travel in south Kiangsi, that only Nanchang and Kiukiang at present are safe. At the same time firing on ships on the upper Yangtse has recommenced. It can be definitely stated that little progress has been made in the suppression of Red-bandit activities in the infested areas. The two missionaries, Nelson and Tvedt, who have been in the hands of the Reds for six months are definitely known to be confined in a village twenty miles from where several divisions of government troops are located and no attempt to rescue these men has been made even though orders from the Central Government to the commanders have been given.

3. The Kuomintang in the North.

The Kuomintang influence is penetrating the North and provincial headquarters are being established in the capitals of the provinces north of the Yellow River. In Mukden the Young Marshal has followed the example of Nanking by instituting the weekly Sun Yat-sen memorial services, and the principal military and civil officials are taking the oath as Kuomintang members. This fact should be viewed with significance as being evidence of closer cooperation between Mukden and Nanking. With the Soviet encroachment from the north and the Japanese political and economic exploitation in the south, the salvation of Manchuria rests in close relations with Nanking.

4. The Rengo News Agency.

On April 12, 1931, the Kuo Min News Agency (official) announced that the Ministry of Foreign Affairs stated that from that day "the Japanese Rengo News Agency will be denied telegraphic facilities in Chinese territory. The reason for this ban is said to be due to the publication of harmful rumors by Rengo correspondents.

"In compliance with a communication from the Ministry of Foreign Affairs the Ministry of Communications has instructed the various telegraph administrations in the country to cancel the press facilities hitherto granted to the Rengo Agency."

Soon after this order went into effect a group of Japanese correspondents in Shanghai accused the Chinese Government of attempting to muzzle the press. On April 11, Mr. Wu Tien-fang of the Intelligence and Publicity Department of the Ministry of Foreign Affairs categorically denied this accusation and listed at some length the "rumors and fabrications" the Rengo Agency is alleged to have broadcasted. According to Mr. Wu, the Rengo Agency has been frequently warned to confine its news items to facts, and many complaints have been made to the Japanese Legation of its action.

It can not be denied that this agency has been guilty of political machinations in the interpretation and publication of its releases. It has been apparent for some time that an attempt was being made by Rengo to discredit the Nanking Government and to magnify its faults. The policy of the agency seems to have been to instil suspicion into government officials vis-a-vis Mukden, Kwangtung, Kwanghsi and Szechwan, as well as to create suspicion of governmental sincerity in these various provincial governments and among the public at large. It has long been thought that the Rengo Agency was an organ of the Japanese Government and that Japanese fear of Chinese unification was often expressed in its news items.

5. Kailan Mining Administration Situation.

It has been learned that Mr. Young, head of the K.M.A., has refused to meet the demand of the Peking-Mukden Railroad for funds. As a result coal is piling up at the mines with no means of transportation. Tientsin and other centers depending upon

coal from the Kailan mines is suffering a shortage. It is reported that the Japanese owned mines at Fushun are benefiting by the tie-up and furnishing large quantities of coal along the China coast. At the same time it is reported that the Ministry of Industries is consulting with the Ministries of Finance, Railways and Foreign Affairs on a procedure for the retrocession of the Kailan coal mine. I wonder if there isn't some political sculduggery back of this apparent blackmail in which the Japanese are interested?

6. Hu Han-min.

Reliable information from Nanking is to the effect that Hu Han-min is being held under close surveillance, and that Tai Chi-tao, an intimate friend of Hu and Chairman of the Examination Yuan, is also under surveillance. The latter, after the dismissal of Hu, expressed his disapproval of Chiang's action by absenting himself and taking refuge in a temple in the hills. It is now learned that he has incurred the displeasure of Chiang.

7. Conclusions.

1. In the event of a breakdown in friendly negotiations with interested powers for immediate abolition of extrality, the government has threatened to adopt other means for the accomplishment of their objective. Chiang Kai-shek has stated that China will sever economic relations with those countries who refuse to meet her demands and consider such countries as enemies. It is not believed that Nanking will permit economic rupture, boycott or any action against foreign powers that will tend to diminish the customs receipts, in view of the fact that customs collections are made on a gold basis, that a certain percentage of these collections meet the international loan obligations, and the balance at the present rate of exchange takes care of many internal or domestic loan obligations.

2. The Young Marshal will no doubt go to Nanking to be present during the People's Conference. To what extent he will actually participate is not known; however, his presence in Nanking during this period will lend prestige to the government.

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COMMENTS ON CURRENT EVENTS

April 16 — 30, 1931

1. General.
2. Visit with Marshal Chang Hsueh-liang.
3. The National Aviation Conference.
4. Rumors.

RECEIVED G/2 W. D. MAY 27 1931

1. General.

With the assembly of delegates at Nanking for the People's Conference, scheduled to meet on May 5, 1931, the question of abolition of extraterritoriality is assuming great importance and is occupying the attention of all. The diplomatic representatives of the interested powers are at Nanking seeking to arrive at a satisfactory solution of this difficult problem but, with only five days to go, there has not yet been an announcement of a definite understanding between the interested powers and the government authorities at Nanking. Since this question is charged with possibilities of great moment to nationals of interested powers resident in China, and since the provisions of the law of extra-territoriality are not believed to be generally understood, it is thought a brief summary of the origin, cause and effect of extraterritoriality might be of interest at this time, when the Chinese Government is putting forth every effort for its abolition.

In 1839 a company of British sailors went ashore at Kowloon, across the harbor from Hongkong, and during a drunken brawl a Chinese villager was killed. Captain Charles Elliot, Superintendent of British Commerce, caused an investigation to be made in order to apprehend the guilty sailor; failing in this, the whole company was arrested and punished and liberal compensation was paid to the villagers. The news of this affair quickly reached the ears of High Commissioner Lin Tze-hsu at Canton, who demanded the surrender of the guilty man and when told he could not be identified demanded the surrender of the whole company to be tried by a Chinese court, intimating that guilt would be forced upon one victim who would be retained and the others eventually returned. This idea of a life for a life by selecting a victim to be sacrificed on the altar of justice, whether guilty or not, was not new to the residents of Canton, but when Captain Elliot refused to comply with Lin's demand it opened an elaborate correspondence on the subject which was reported in America and Europe. This Chinese conception of justice was for the first time understood abroad and gave birth to the idea of extraterritoriality.

In 1842 the Chinese officials admitted that they could not be responsible for the protection of foreigners from insult and injury outside limited areas, and the Chinese expected consuls, with the backing of their own naval forces, to assume responsibility for the control and discipline of their own nationals.

The American treaty of 1844, signed by Minister Caleb Cushing and the High Commissioner, Viceroy Kiying, formally introduced and defined the extraterritorial system, now denounced by the Nationalists, which provided for the extraterritorial jurisdiction of Americans and, by extension, under the most favored nation clause, other foreigners in China. This clause reads as follows:

"Subjects of China who may be guilty of any criminal act towards citizens of the United States shall be arrested and punished by the Chinese authorities according to the laws of China. And any citizen of the United States who may commit any crime in China, shall be subject to be tried and punished only by the Consul, or other public functionary of the United States thereto authorized, according to the laws of the United States and in order to the prevention of all controversy and disaffection, justice shall be equitably and impartially administered on both sides."

Another clause provided for the filing of complaints and for a form of arbitration in civil disputes, while another put disputes between Americans in China outside Chinese jurisdiction.

The first recorded case of an American being tried under the new extraterritorial system occurred in Canton in June 1844. A mob surged into the American Consulate compound after stoning several Americans, and could not be held in check until the foreigners fired upon the mob in self-defence, when the mob retreated, leaving one of their number dead on the field. Mr. Cushing protested to Kiying and demanded protection for the American community. The Viceroy in reply expressed his low opinion of the Cantonese rabble but intimated that the populace would probably insist upon a life for a life. The American envoy made up his mind that no American should be surrendered and wrote the Consul at Canton to that effect, and advised that the accused person be tried by our own courts. The Consul and his jury of six therefore tried the American charged with the shooting and found the Chinese had been killed in self-defense, and pronounced it justifiable homicide. The Viceroy accepted the verdict despite the clamor of the mob and paid compensation to the family of the dead man.

The establishment of extraterritoriality by negotiation certainly implied that the courts of justice were inferior or unequal to those to which the foreigners of all nationalities were accustomed. The official ignorance of civilized diplomatic practice and arbitrary administration of justice were justifiably regarded as imperfections in the Chinese administrative system.

The British commercial treaty signed September 5, 1902, usually known as the Mackay treaty, inserted a clause which read, "Great Britain promises to give up her extraterritorial rights when the judicial system and attendant conditions have been satisfactorily reformed".

At the Washington Conference in 1922 the Chinese delegates requested that an international commission should study the new codes and their application in the new courts of China and decide whether it was any longer necessary for foreigners to maintain their own courts in this country for the adjustment of civil and criminal cases in which their nationals were the defendants. Accordingly, delegates representing America, Belgium, Great Britain, Denmark, France, Italy, Japan, The Netherlands, Norway, Portugal, Spain and Sweden assembled in China, and although their investigation was interfered with by revolution and civil war, sufficient evidence was gathered to convince them of the absurd maladministration of justice; but the report had to be rendered in such form that the Chinese delegate, Dr. Wang Chung-hui (now Chairman of the Judicial Yuan), could see his way clear to signing it without going into permanent exile abroad. The published report, which Dr. Wang did not have the courage to indorse in full after all, is therefore judicial

and restrained in tone but none the less devastating and final in its verdict. The sum and substance of it, however, was that the administration of justice in China was not free from traditional irregularities and barbarities, and any alien surrendered to Chinese jurisdiction in any place or at any time when anti-alien prejudice ruled the official and public mind would mean persecution and not protection by irregularly administered courts.

The report found the new codes inadequate to complex modern life, and quoted many cases of flagrant miscarriage of justice which happened to be nation wide scandals while the commission was sitting in Peking. Much of the actual text of the report was written by Mr. Silas Strawn, the American delegate, who had much opportunity to observe the flagrant frustration of justice by military and mob tyranny before he and the other foreign delegates submitted their report and returned to their homes in 1926.

In 1927 the Mixed Court in the International Settlement in Shanghai, in which Chinese defendants in all civil and criminal cases arising in the settlement are tried, was returned to complete Chinese control under a provisional agreement between the consular body and the provincial authorities. This was done in the hope that the Chinese would make an exceptional effort to administer immaculate justice as an argument in favor of the abolition of extraterritoriality. It was fondly hoped that the Chinese would be upon their mettle and would react in such a way to foreign scrutiny that the Court would become a model and stimulate reform elsewhere. However, at the end of three months the Shanghai Municipal police had a file of cases a foot thick in which evidence had been tossed into the discard and justice had been travestied to suit the political convenience of the Court,and discommode as much as possible the administration of the international settlement, by maladministration of justice.

In 1929 the Nanking Government, through its Foreign Minister, announced that abolition of extraterritoriality would become effective on January 1, 1930. Apparently the interested powers did not take the announcement seriously, and as the government was in the throes of civil war during most of the year the subject of abolition was not further discussed until the defeat of the Northern Coalition. Since the meeting of the Fourth Plenary Session of the Central Executive Committee in November 1930, the subject of abolition of extrality has been revived and to date has become a very important matter for discussion between the Nanking Government and the interested powers.

2. <u>Visit With Marshal Chang Hsueh-liang.</u>

An appointment was made to call on the Young Marshal at 5:30 p.m., April 23. When the auto approached the residence occupied by Chang, all streets and <u>hutungs</u> were found to be heavily guarded by the local police, while the residence was closely guarded by Chang's personal bodyguard. All personnel presented a neat and fine appearance.

Our cards were taken at the gate and carefully scrutinized by an official who, satisfied with our identifications, conducted us to the house where we were received by other officials and shown into a large waiting room which was crowded with officers and soldiers waiting to be received by the Young Marshal. After a wait of fifteen minutes we were shown into another room where the Young Marshal received us cordially. The aide and interpreter were the only other Chinese who remained in the room during our visit. The Young Marshal was dressed in the conventional

Chinese robe, he appeared bright and looked well. He conversed freely, usually through the interpreter, but there was no doubt that he understood all that passed between myself and the interpreter before the latter put the questions to him. He answered all questions promptly and without hesitation.

He stated he would leave Peiping in about a week for Nanking to be present during the People's Conference. He did not think the date of the meeting would be postponed, although it was possible, if a majority of delegates had not reached Nanking by May 5.

When asked why the Headquarters of the Vice-Commander was to be established in Peiping he stated that he was complying with the wishes of Chiang Kai-shek.

He does not know when he will return to Shengyang (Mukden). (It is a well known fact that when the young fellow gets away he never seems to be in a hurry to return.)

He stated the difficulty in the rehabilitation of Shansi was lack of funds but that conditions were looking better.

When asked what turn the negotiations in Moscow was taking, he stated the present conference was progressing satisfactorily.

In conclusion: I was agreeably surprised to find the Young Marshal in apparent good health despite reports that he was ill, that he was again a victim of dope, etc., etc. Also, that he is co-operating more closely with Nanking as evidenced by the fact that he is carrying out the wishes of Nanking, first, by establishing his headquarters at Peiping merely to add prestige to the Government; secondly, that he has accepted the Kuomintang into the North-East Provinces and requires all his high officials to become sworn members; and thirdly, that he is doing to Nanking to add his presence and influence to the People's Conference. It can be safely said that relations between Mukden and Nanking are very close and so long as these conditions exist peace will obtain in China, except in local and restricted areas.

Note: The Young Marshal, with his immediate official family, left Peiping at 8:45 p.m., April 29, en route to Nanking to attend the People's Conference.

3. The National Aviation Conference.

On April 20, the National Aviation Conference convened in Nanking under the chairmanship of General Chang Hui-chang, Director of the Aviation Administration of the Ministry of War (General Chang graduated from the Curtiss Aviation School in America and is commonly referred to as "the Lindbergh of China").

The purpose of this conference was to adopt resolutions for the promotion of aviation in China---to be discussed at the People's Conference.

Much interest is being manifested in the development of aviation both at Mukden and Nanking, and this interest will be extended throughout China as the organization of the air service progresses.

Under present economic conditions where means of transportation and communication with distant provinces still exist in primitive form only, there is no factor that can play a more important part in a closer unification of China and in obtaining obedience from officials in control of isolated provinces to the mandates issued by the Central Government than a well organized and efficient air force. Today, when means of communication between the Central Government and many of the distant provinces is limited to the radio system, the provincial chairmen or other high officials render obedience to the dictates of Nanking only insofar as it suits their convenience. A well organized air force will reduce time and space between affected areas and result in a closer understanding between governmental and provincial authorities. It is with this end in view that great interest is being manifested in aviation.

4. Rumors.

1. During the past week the Chinese and foreign press have published in glowing headlines reports that Shih Yu-san was moving his troops into western Shantung and had again rebelled against the government. This report is alleged to have originated with General Liu Shih, Chairman of Honan, and one of Chiang Kai-shek's most trusted generals. Shih has emphatically denied the report and has sent representatives to assure the Young Marshal of his continued allegiance.

2. Reuter published dispatches on May 1st to the effect that the Kwangtung officials had left Canton and fled to Hongkong; that Chen Chi-tang, the warlord of the South, had made definite demands on Chiang Kai-shek for the restoration of Hu Han-min to his former official position in the government. Information from Hongkong indicates a state of uneasiness in the South.

Lacking confirmation, it is believed the above rumors are spread to embarrass the government on the eve of the People's Conference.

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COMMENTS ON CURRENT EVENTS

May 1 - 13, 1931

RECEIVED G/2 W. D. JUN 12 1931

1. General.
2. The Coup d'Etat in Canton.
3. The Strength of the Chinese Army.
4. The National People's Conference.
5. Public Opinion in China.
6. The Predicament of Germans in Mukden.
7. Miscellaneous.

1. General.

Intrigue and counter-intrigue, ambition and counter-ambition continue to struggle through the sub-stratum of Chinese politics. To the outside world China presented an unusual picture until the coup in Canton brought some realization of the true state of affairs. Here was a government which had not been subject to revolution for seven months; a People's Conference had been called and delegates were taking their appointed chairs from the far flung provinces; extra-territoriality was about to be given up by the leading powers of the world; a conference to settle disputes between Russia and China was taking place at Moscow; Red-bandits were being beheaded along the Yangtse.

But behind all this outward show of peace and strength, the same old forces of disruption were at work. Perhaps the Canton revolt has been premature, since with Chang Hsueh-liang to guarantee the peace of the North the government will be able to devote its entire attention to the South. But nevertheless the forces remain and will break out again.

The hand of the government has been constrained by the Canton episode to deal easily with the powers over extrality. Instead of unilateral abolition on short notice, January 1, 1932 is chosen as the date for unilateral action. Certainly an indication of weakness.

Chang Hsueh-liang has been appointed Chairman of the National People's Conference in Nanking and is thus placed in a position where Nanking can get the most out of him. His arrival was providential and the astute Chairman of the National Government has taken full advantage of it. Without Chang Hsueh-liang's aid at this juncture pandemonium would break out over all of China.

Lack of synchronization on the part of the schemes of his enemies has again and again played into the hands of Chiang Kai-shek. During the present trouble, which appears less dangerous than those in the past, lack of synchronization will again come to his aid. Chiang knows his goal and works toward it constantly in a manner reminiscent not of China but of the West. His enemies, having no common goal but each his private ambition, find co-operation next to impossible.

While the government is greatly weakened by the loss of the strong men of the Kuomintang, Chiang Kai-shek, in the event that he puts down the Canton uprising, will emerge stronger than ever.

From M/A, China Report No. 8013 May 13, 1931

2. The Coup d'Etat in Canton.

Giving as their principal reason the detention of Hu Han-min and Li Chai-sum in Nanking, leading political and military figures in Canton on April 28th sent a telegram to the National Government denouncing Chiang Kai-shek. In this movement there are four members of the Supervisory Council of the Kuomintang now in Canton: Teng Chih-shih, Lin Shen, Hsiao Fu-chen, as well as the Commander of the 8th Route Army, Chen Chi-tang, and the Kwangsi leaders, Pai Chung-hsi, Li Tseng-jen and Chang Fa-kwei. Supporting the movement in the government are Wang Pei-chun, Minister of Communications, Sun Fo, Minister of Railways, and Wang Chung-hui, Minister of Justice.

Troops from both Kwangsi and Kwangtung are being moved to defensive positions along the Kwangtung-Kiangsi border. Chen Ming-shu, the Chairman of the Kwangtung Provincial Government, fled on the 28th to Hongkong, since his two divisions are in Kiangsi and he was not prepared to join the revolt.

While ostensibly Hu Han-min's detention is the cause of the outbreak, in reality the source of disagreement is the rising power of the Chekiang clique as opposed to that of Canton. Dissension has been evident between these parties for over two years. In its broadest aspects, and disregarding the potent desire for spoils of office, the Chekiang party may be said to favor centralization in the form of a dictatorship, while that of Canton wishes to follow decentralization in government as preached by Sun Yat-sen. Chekiang, powerful in finance, is headed by Chiang Kai-shek ably seconded by T. V. Soong, while under the all embracing Canton flag are gathered such paradoxical figures as Wang Ching-hui and Chang Fa-kwei, noted leftists, and Hu Han-min and Wang Chung-hui, ardent rights.

In addition to the bitterness created by the divergent views held on the form of government, there is too a very vital difference over the future of the Kuomintang. In this revolt are to be noted most of the followers of Sun Yat-sen. Certainly his disciples, Wang Ching-hui, Hu Han-min, and his son, Sun Fo, have the right to speak for the "late leader". On the side of government, no outstanding figure of the Kuomintang appears. Chiang Kai-shek decries Party interference in government and desires to relegate the Kuomintang to the outer pale. The Canton group, on the other hand, all ardent believers in Sun Yat-senism, see in the repression of the Kuomintang the growth of a dictatorship and the eclipse of their own authority.

Wang Ching-hui in Hongkong is in active correspondence with the Canton leaders and has broadcasted two telegrams to the nation and to the Kuomintang in which he denounces Generalissimo Chiang and calls for support for Canton. Wang is an astute politician and one who learned a lesson in Peiping. The fact that he has as yet not gone to Canton may be regarded as significant. He made an error in coming to Peiping and lost prestige by establishing his burlesque government here. He is taking care that conditions are favorable before leaving for Canton. His absence denotes uncertainty in Canton plans, and perhaps a lack of cohesion among the Kwangsi and Kwangtung leaders.

An element in the North, composed of the defeated commanders in the Yen-Feng rebellion, are stated to be ready to take advantage of the troubled waters. Rumors, which have substantial backing, state that Han Fu-chu, Sun Tien-ying, Shih Yu-san and Feng himself are members of the coalition. However, so long as the Young Marshal remains loyal to Nanking it is difficult to envisage any serious trouble from this group.

Chang Hsueh-liang's arrival in Nanking at this time is in the nature of manna from Heaven for Chiang Kai-shek. When the Young Marshal left Tientsin on the morning of the 30th of April it is doubtful whether he had been informed of the rebellion in Canton. Had this information been his he might not have gone. When he arrived in Nanking he was promptly made the Chairman of the People's Conference, and government officials must have sighed in relief. With Chang to take care of the North the government can deal with the Canton uprising. Without him chaos would again break loose.

It is considered likely that difficulties will be settled by compromise. That Chen Chi-tang may be made Governor of Kwangtung; that Hu Han-min and Li Chai-sum may be released, and that the Kuomintang may be given back some of its erstwhile prestige.

The Mukden warlord holds the balance of power.

3. <u>The Strength of the Chinese Army</u>.

In spite of the fact that the Yen-Feng rebellion came to an end in September 1930, China has not appreciably reduced her armies. The last estimate of the total strength, dated April 29, 1931, was 2,213,036. In fact, editorials in the Chinese press have even stated that China's armies were not large enough - that what was needed was more and better divisions.

Chiang Kai-shek has frequently mentioned national defense, and public speakers often point east to Japan and north to Russia. True, an army is needed for national defense, although such defense is required against domestic rather than foreign foes. What is the psychology back of this gigantic army? Why is no real effort made to disband it?

Much of the urge for huge military establishments comes from the ambitions of the warlords. To be a general in rank and to have no personal following is to subordinate yourself to anyone who can turn out a corporals' guard. With soldiers come safety, license and power; without them a field marshal is a puppet. The larger the following the more independent the leader and the longer the National Government will keep "hands off". The Chinese soldier exhibits——as does the Chinese nation to a peculiar degree——a docile, personal loyalty which is difficult to understand. So long as he is half-fed and half-clothed he will obey, as well as any Chinese can obey, the dictates of his provider. No national patriotism penetrates the soldier's fibre, but only a personal loyalty to his chief. This being the case a personal army is not difficult to come by and not difficult to maintain.

But beyond the ambitions of the warlords there seems to be an almost nation wide demand for a large army. China sees Japan's rapid rise due solely to Russia's defeat in 1905. Since that time she has noted that Japan has been a respected member of the family of nations. No notice is taken of the great effort Japan has made to modernize——of the fact that she began building with the foundation and not with the roof as in Chinese architecture. The reason for her success is to the Chinese the success of her armies. China feels that in order to be properly respected she has to win a war.

Wars are not won by numbers or by legerdemain. Organization, attention to details, discipline, machines and a knowledge of them, are far more important. Were China to train a small army, thoroughly modernize it, thoroughly equip it, thoroughly discipline it, she would be

nearing her ambition. But instead she recruits more men, spends hours and years in close order drills, in sword drills, in gymnastic stunts, all of which please the eye but leave the initiated cold.

Wu Pei-fu, when asked his opinion on the World War, said, "Ah, if I had been leading Germany's armies the outcome would have been different!" So many a Chinese general, seeing his thousands of soldiers parading with guns they barely know how to shoot, doing squads right and squads left with an eclat second to none, feels the stir of ambition under his cotton blouse and yearns for the day when the imperialistic dogs shall be running, tails between legs, from the strength that is his.

4. The National People's Conference.

The National People's Conference opened as scheduled in Nanking on May 5. While the government announced 447 members on hand, foreigners reported only 200 attending. This conference, which will be covered in detail by a subsequent report, presents a lugubrious countenance to the critical observer. Hand-picked from the remnants of the Kuomintang still loyal to Nanking, with the exception of Chiang Kai-shek, its most powerful members seem to be C. T. Wang, Ho Ying-chin, Han Fu-chu and the Young Marshal. The powerful faces of the leaders of the Kuomintang, of the Revolution, of Chinese thought, are not there——are in fact turned away.

Despite the care used in the appointment of the delegates, some 70 odd members have had the temerity to demand that Hu Han-min attend the convention and take charge of the National Government. This same group has made it impossible to adopt the draft constitution prepared for the occasion——a constitution which would ratify the factual existence of a dictatorship——and has made a matter of fact the adoption of another which recognizes no president and which still clings to the committee form of government.

Attempts have been made to induce the recalcitrant members of the Canton clique now in Shanghai to attend, but no response has been forthcoming. Robbed of its big figures and of all opposing voices, the conference is but a shadow of what Sun Yat-sen meant by a People's Conference. From an aggregation representing the people, their hopes and ambitions, we have not even the semblance of a popular gathering.

The most picturesque figure at the convention is the Panchan Lama. His long trek from Eastern Mongolia to pay homage to the National Government is being made much of in the press. He may pay the homage but he wants in return guarantees against Russian advances from the north.

Chang Hsueh-liang has been appointed Chairman. Chang Hsueh-liang, the son of Chang Tso-lin, as ardent an imperialist as his militant father. Chang, whose closest contact with the people of China is that he enjoys their vices with them.

In the actual convening of this meeting perhaps the government has won a victory, but it is difficult to believe that any substantial benefits will be derived from it by the people or by the government.

5. Public Opinion in China.

Often the statement is made by representatives of the Chinese Government as well as by others that Chinese public opinion is for or against this or that measure or project. Chinese public opinion, we are told, is solidly behind the abolition of extra-territoriality and the rendition of foreign concessions.

It is well to look closely at these statements and to make some definition of the term public opinion. Public opinion as we understand it in the United States is not the public opinion of China——or for that matter of many other countries. In the United States it is highly fluid, its reactions are rapid and its effect enormous. Its control is vested in a highly centralized press, which in turn is more or less under the orders of a comparatively small group of men and a number of propagandist and lobbying associations of enormous enthusiasm and increasing experience. Once public opinion is aroused, and as shown above it can be more easily aroused than in other countries, action is taken rapidly by the executive and legislative branches of our government. Whether or not this ease of control and almost immediate action are dangerous is not for this discussion.

Public opinion in China is a recent phenomena and is still impotent, ineffectual, and embryonic. In the first place illiteracy is placed at about 90%. The press then can directly influence but a small percentage of the people. The press, in turn, even as its American prototype of fifty years ago, is highly individualistic, and is unwilling or unable to unite on a common platform. In other words, of the 10% which is reached by the press only a small part is subjected to the same appeals or propaganda.

The powerful associations which have as their mission the manufacture and moulding of public opinion as well as the passage of legislation, such as the Anti-Saloon League and the National Council for the Prevention of War, are non-existent in China. The only body which may be compared with them is the Kuomintang, which is better compared with one of our political parties since it has as many divergent points of view as are held by the Democrat of the South and the Democrat of Boston or New York. Guilds and student organizations influence national public opinion, it is true, but only express localized opinion.

Public opinion is then confined to the intelligentsia, is not easily stimulated and is even harder to direct. Once it is aroused, because of its small representation, it has little leverage to apply to government.

As a matter of fact, of the literate class the most articulate is the student, and it is he who talks of public opinion and he who is influenced by it. The vast inertia of the masses is difficult to overcome; so intractable is it in fact that even during the Tsinan incident in 1928 there was not concerted action by, or unanimity of opinion in, China. Certainly if there is a public opinion in China it is on the Japanese question.

Public opinion is confined geographically to the large centers of population. There the orator is readily listened to by men who cannot read. China is of course an agricultural nation, so these large cities are representative not of China but only of the urban population which is rapidly becoming industrialized. The ponderous China of the hinterland is not affected.

Individualism, the development of the ego, which has been nurtured through years of work on the land and through centuries applied to the creation of articles of the art class, again militates against public opinion. Public opinion depends for its nourishment upon standardization. In China, for example, the individual who frankly is not interested in a war as openly states his objections, and without the least feeling of shame avoids the call to arms. He is condemned only by the warlord who hopes to enlist his services.

Under conditions such as these public opinion as we know it in the United States must await the standardization and education of an individualistic and illiterate race. The terms local or class opinion are more appropriate and more in keeping with the present genus of the Chinese.

6. The Predicament of Germans in Mukden.

Within the last few months the German residents of Mukden have been subject to a series of amazing attacks. In reviewing them it is thought worth mention that German nationals enjoy a peculiar place in Chinese affections. If the Chinese like and admire any foreigner it is the German. Witness the tremendous revival of German trade at the expense of American, English and Japanese. Witness the German advisers around Chiang Kai-shek. Witness the loving statements in the press.

It will be recalled that in the Haussler case, Mr. J. Haussler, Secretary of the German Consulate in Mukden, was tried for manslaughter. The trial was a travesty of justice, the defendant and his witnesses being powerless in the hands of the Chinese judge. As the American Consul reported from Mukden, "There is every appearance that it had been decided in advance to find the accused guilty and the case was developed accordingly".

Although Mr. Haussler had only been in an automobile which frightened an animal that was pulling a vehicle from which a Chinese woman fell and sustained mortal injuries, he was adjudged guilty of manslaughter in the criminal court, and an effort was made to obtain funds from him by civil action to erect a second Kettler monument on the scene of the accident. The civil aspect of the case was later placed in the hands of a "middleman" - a typical Chinese method of abstracting all that the court is unable to obtain.

On March 22, James Wolter, representative of the German firm of Carl Wolter & Co. of Mukden, was accused of having evaded payment of the consumption tax on goods valued at $200,000, which he had recently received from the Japanese Railway Settlement. He was given the option of paying a fine of $180,000 or of having his goods seized and going to jail. Since the receipts for the payment of this tax were in the hands of a compradore who had been discharged, Mr. Wolter and the German Consul requested that the books of the firm be compared with the records in the tax office to show that payment had been duly made and received. Not only did the tax office refuse to allow access to its records but the Germans were informed that the books of Carl Wolter & Co. were not fitting evidence. The tax officials further refused to summon the discharged compradore as witness.

With the aid of the German Consul a settlement of $21,000 was finally reached which was duly paid by Mr. Wolter.

In reporting this case from Mukden the American Consul states that, "The German consular representative, who described the affair to me, said that his protests against the illegality of the affair were laughed at by the tax officials. They even threatened to jail him and were frank in saying that they wanted the money and cared nothing about any form of evidence except their receipts".

On April 28, the German manager of the Hotel Lengmueller was thrown in jail on the accusation of having evaded payment of taxes on wines and liquors found in his hotel. A fine of $17,000 was imposed. The German Consul endeavored to have the victim released on the grounds that he had

been imprisoned without the usual process of law. The fine was later decreased to $5,000 and after three days in jail and payment of the fine, the German manager was allowed his freedom.

In each of the above cases it will be noted that a fine is an "asking price" - it may be reduced by arbitration. Too, it will be noted that the legal formality of a trial does not necessarily precede incarceration.

These three cases in Mukden have thrown the Germans there in a state of panic. Their Consul is emasculated as are they, through lack of extra-territoriality.

It is repeated that the Chinese, in a comparative sense, hold the Germans in high esteem.

7 - MISCELLANEOUS

The Sino-Russian Conference.

Since our Report No. 8000, dated April 15, 1931, very little has been made public regarding the Moscow Conference. Apparently the Chinese membership, headed by Mr. Mo Te-hui, plenipotentiary delegate and concurrently Director General of the C.E.R., has been awaiting the arrival of the technical experts, Mr. Victor Hu and Mr. Chien Tai, before proceeding with anything but informal discussions. Since these two gentlemen did not leave Nanking for Moscow until the 6th of May some time will undoubtedly elapse before the conference reaches the final stage.

The Foreign Relations Association of Mukden recently issued a manifesto on the subject of the C.E.R. in which China is urged to present a solid front toward Soviet Russia so that the final goal, the redemption of the C.E.R., may be reached. The manifesto states that Mo Te-hui should not be satisfied with anything less than complete redemption, and adds that he should not hesitate even if this should mean a rupture of the conference.

This manifesto, sent out probably for Russian consumption, is rather too puerile to have much effect. China will get what Russia wants to give and no more. Russian diplomacy is expected to again triumph in the Moscow conference. The old and time honored myth of the depth and sagacity of Chinese diplomacy is a shibboleth of the past.

Extrality.

On May 7, C. T. Wang declared that "regardless of consequences" the Chinese Government was determined to place foreigners under Chinese jurisdiction beginning January 1, 1932. His statement has the sanction of the National Government and is backed by a resolution of the People's Conference.

In the last analysis no more has been done than was done on December 28, 1929, when Nanking issued a mandate stating that "....for the purpose of restoring her inherent jurisdictional sovereignty, it is hereby decided and declared that on and after the first month of the nineteenth year of the Republic (January 1, 1930) all foreign nationals in the territory of China who are now enjoying extra-territorial privileges shall abide

by the laws, ordinances and regulations duly promulgated by the Central and local governments of China....".

Had not the Canton coup come at the time it did it is thought that the period between Wang's statement and the time for abolition would have been shortened. It is difficult to believe that foreigners who now enjoy the necessary blessings of extrality will be in any different status on January 1, 1932 than they were on January 1, 1930.

Since reports that this obnoxious feature of foreign residence in China was to be abolished prior to the People's Conference have been given wide publicity, it would seem that Wang's statement is but a sop to the public. In case extrality is not given up by treaty there would seem to be little fear that unilateral action, except on paper, would be taken by the government. The Chinese Government knows too well that it is not prepared to take any such momentous step "regardless of consequences".

Bandit Suppression.

It is not easy to sift the wheat from the chaff in the news on the bandit situation, or "red-bandit" situation, as the government calls it. In general it may be said that steady progress is being made by the government forces. Ho Ying-chin, in charge of suppression activities, is slowly carrying out his plan of occupying all strategic points in the bandit-communist area in Kiangsi, and is "mopping-up" as he moves along. However, it is not believed that many bandits have so far been actually captured or killed. The bandits retreat before the better trained and equipped army forces---to less and less accessible places.

The troops of Sun Lien-chung are reported to be actively engaged now and can be expected to render a good account of themselves. With the exception of Sun's troops very few first-rate units are being used, since Chiang Kai-shek's own troops are being held along the Lung-Hai Railway. This unwillingness on the part of Chinese generals to use their best troops has dragged out all Chinese operations and is postponing the date when the bandit-communist menace may be said to be ended.

In the event of troop operations against Canton necessitating a suspension of anti-bandit activities in Kiangsi, all efforts made to date would have been in vain. In spite of governmental pronouncements it will be long before finis is written at the end of the communist-bandit dossier.

Effusions of the Peking Leader.

Phillip Tyau, Chinese, graduate of Cambridge University (much to the chagrin of British subjects resident here) and editor of the Peking Leader, has recently published editorials on extra-territoriality which have excited the ire of many foreigners. Letters have been written the paper, not all of which are printed, and Mr. Tyau has replied often in a manner not conducive to good feelings. It is understood that when written protests reach Mr. Tyau which contain arguments he is unable to answer that he receives the assistance of Mr. Vernon Nash, American, the head of the Department of Journalism of Yenching University.

A part of the "Phillippic" which was considered the most objectionable is quoted below:

"It is not, of course, merely a sense of solidarity with those of their fellow-countrymen who are definitely criminal which ranges the mass of the foreign community China on the side of extra-territoriality as opposed to the enforcement of equal law for all nationalities here. It is the nature of the foreign community itself which determines this. The mass of foreigners coming to China do so in order to make money out of the Chinese people. In addition to the commercial element there are their male and female hangers-on, - salesmen, clerks, typists, cabaret women, etc.---and the inevitable soldiers and sailors. In fact, these elements make up the bulk of foreigners in China. Cultured and educated persons are in a small minority. It is from the rudest and most ignorant sections of the foreign community that the bitterest opposition to equal justice comes.

"The reason is not far to seek. It is not merely that many of the commercial men indulge in shady transactions under their special protection, and that many clerks and others are dependent upon them. It is that this whole element, which in America or Europe live mainly in hallways, eat at cheap restaurants, and ride on tramcars crowded to suffocation, here find themselves, through no merit except their good fortune to be transplanted out to China, suddenly elevated to a superior position. The obsequious clerk who held his boss' overcoat for him in London here blossoms out into a 'gentleman' calling imperiously to a 'boy' to bring him his 'at! There is no arguing with persons of this type about extra-territoriality. For the first time in their lives they feel themselves superior to someone else. And their egotistic feeling of superiority lies not in their physique or in their mental attainments, but simply in the colour of their skin, buttressed by special legal privileges."

That this quotation contains elements of truth is beyond question. But certainly the taste involved is to be questioned. The British in particular feel the weight of the Cambridge man's words, and so far have not seen that the affair has a humorous side which, to be fair, is naturally more apparent to other nationals.

For and in the absence of the Military Attache:

Parker G. Tenney

Parker G. Tenney
Captain, Field Artillery
Assistant Military Attache

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JUN 24 1931
205-J-622
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WAR DEPARTMENT

6-1

COMMENTS ON CURRENT EVENTS

May 13 — 27, 1931

RECEIVED G/2 W. D. JUN 23 1931

General.
Miscellaneous:

1. New Minister of Railways.
2. Interviews with Mr. Kinney.
3. The Young Marshal in Peiping.
4. Return of Huang Ping-hung.
5. Mukden Linked with New York by Radio.
6. Foreign Investments in China.
7. Situation of Missionaries.
8. Extraterritoriality.
9. Feng Yu-hsiang.

GENERAL

If the reactionary elements consisting of the left wing, the right wing and the so-called reorganizationists expected to embarrass the government on the eve of the meeting of the People's Conference, or cause a postponement by intrigue followed by rebellion, they were disappointed, for the conference met on scheduled time with a majority of authorized delegates in attendance. The program was carried out in detail and the conference adjourned on May 17th followed by suitable ceremonies.

If there was uneasiness on the part of Chiang Kai-shek over the situation in the South there was no outward evidence of it.

The usual deluge of propaganda has been turned loose on the public, largely to the effect that the disagreement between Canton and Nanking will be adjusted by peaceful means, while information from the South indicates that no settlement will be accepted until Chiang Kai-shek is forced out.

The present situation must be viewed with serious consideration because of the disaffection of most of the old Party members who are Cantonese and who in turn are supporting the revolutionary movement against Chiang Kai-shek.

The struggle for control now appears to be waged between the Canton and the Chekiang cliques, with the Young Marshal supporting Nanking and definitely holding the balance of power. Under the present conditions Chiang, supported by the younger following of the Party, has assumed the role of military dictator and although his position is not so strong as at the beginning of this year, it is believed he has the situation well in hand and if the Young Marshal continues to support him the present rebellion will peter out or be suppressed when Chiang deems it advisable.

With the conclusion of civil war last year it was felt that China must have a long period of peace in order to recover somewhat from her economic exhaustion. This, however, was not to be as political intrigue soon replaced military activities and the country is now on the verge of another civil war.

The surprising feature of the present break was the sudden disintegration of the government personnel. The opening of the People's Conference saw the following strong men who had supported Chiang the preceding year absent and in opposition to him: Hu Han-min, Sun Fo, Lin Shen, Liu Chi-wen, Ku Ying-fen, Tang Shao-yi, Wang Ch'ung-hui, Tan Yen-kai (dead), General Chang Hui-chang, and many others of lesser importance. With

the desertion of these officials there remain very few of the old guard to aid Chiang in the administration of the government; hence the necessity for a strong military dictator at this time.

The leaders of the southern uprising, in order to justify their action, have stated they are in rebellion against Chiang, charging him with the usurptation of dictatorial powers and unjust treatment of party members. Of course this disaffection on the part of the old guard lends encouragement to the left wing leader, Wang Ching-wei,who, accompanied by Sun Fo, Eugene Chen and Tang Shao-yi, arrived in Canton on May 22nd with a view to the organization of a military government in opposition to Nanking. At the same time Sun Fo announced that he was not in Canton to arrange for a peaceful settlement but to join the movement for the purpose of overthrowing Chiang Kai-shek.

There are many factors that have a direct bearing on the success or failure of the present uprising, a few of which are commented on:

a) Because of the many members of the old guard who have deserted to Canton there is a possibility that the overseas Chinese who are largely Cantonese will support the movement with large financial contributions. In addition, most of these old party members have a large following in different parts of the country.

b) The communist situation in the south-central provinces continues to be the most serious problem the government has to contend with. In Kiangsi the most important troops engaged in suppression of Red-bandits consist of the 19th Route Army from Kwangtung and the army commanded by Sun Lien-chung, ex-Kuominchun leader. It is not known at present whether or not these units will remain loyal to the government. In case of disaffection not only would the Cantonese forces be largely augmented but pressure on the Red-bandits would be removed permitting them wide freedom of action, as it will be difficult for Chiang to reinforce this area due to the fact that large numbers of his best troops are at present immobilized along the Lung-hai Railroad watching Shih Yu-san, Sun Tien-ying and the Kuominchun troops, with Feng sitting in the background awaiting a weakening of the government (see Situation Report No. 8025).

c) Chiang has not been called upon often to admit that his security depends largely on the loyalty of a subordinate. The present situation demands that, if necessary, Chiang must make concessions to hold the support of the Young Marshal in order to insure peace in the North until he has the situation in the South under control. A break between Chiang and the Young Marshal would indeed be a national disaster and would probably result in the overthrow of the government (Chiang), which would further result in national chaos as there does not appear on the horizon an individual capable of successfully assuming control. In case Chiang is eliminated, the left wing, led by Wang Ching-wei, would certainly not join hands with the right wing, led by Hu Han-min, who enjoy a bitter hatred of each other.

MISCELLANEOUS

1. New Minister of Railways.

With the sudden departure of Sun Fo from Nanking and refusal to return to resume his office as Minister of Railways, it has been reported that General Kao Chi-yi, a member of the Liaoning party and at present Managing Director of the Peking-Mukden Railroad, will be designated to

succeed him. It will be remembered that General Kao is reported to be responsible for the present difficulty between the Kailan Mining Administration and the Peking-Mukden Railroad. The agent of the K.M.A. in Peiping informs me that the Chinese officials refuse to negotiate for a settlement; that they have made their demands and until the K.M.A. pays up there is a likelihood of the mines closing down indefinitely, in which case the Japanese owned mines at Fushun (near Mukden) will profit and the people will pay and suffer.

2. Interviews with Mr. Kinney.

I have had several long interviews with Mr. Henry W. Kinney, a prominent official of the South Manchuria Railroad, who is spending several weeks in Peiping. He talks very freely about conditions existing along the C.E.R. His duties require frequent trips over the railroad net in Manchuria and he is probably one of the best informed persons on this subject in China.

He stated that at the time China took over the C.E.R. in 1929, Moscow issued orders to the 12,000 Russian employees to cease work, and that only 3,000 obeyed orders. The Chinese officials admit that without the assistance of the Russian experts who remained the line could not have been operated. He stated that after the Chinese were forced to submit to the Harbarovsk terms that the Russian domination was restored and they commenced a systematic dismissal of all those Russian employees who refused to obey the order from Moscow, and by the process of elimination have replaced practically all the old employees by 100% Reds who will obey every order from Moscow.

Mr. Kinney tells me the Russians are in absolute control of the C.E.R., and that very little repairs or improvements have been put on the line. He says the line makes money but no one seems to know where it goes as there are no bond or share-holders. All profits are supposed to be divided fifty-fifty between the government at Moscow and at Mukden.

Mr. Kinney says the Russians declare they are willing to sell the line to the Chinese but consider this in the light of a joke knowing the Chinese cannot raise the necessary funds. They also state they are willing to knock off a few years from the date specified in the treaty when Russia is to return the line to Chinese control---1956. This dispensation will have to be compensated for in valuable concessions by China, among those mentioned being free traffic on the Sungari and authority for Soviet shipping to have free access to Chinese ports on the Amur. This would mean shipping the crops of the rich country north of the C.E.R. by boat to Vladivostok for distribution, thus seriously crippling the C.E.R. and affecting the profits of the S.M.R. I was interested to learn that concrete pill boxes were constructed to defend all bridges along the S.M.R.; that camps were established at intervals and Japanese patrols in pairs patrolled the entire length of the system day and night; that frequently these patrols are fired on and many have been killed and wounded.

3. The Young Marshal in Peiping.

The Young Marshal is in Peiping resting, he says, from the strenuous labor imposed upon him during the People's Conference. During an interview soon after his arrival he appeared very optimistic about the outcome of the trouble in the South, which he said would soon be adjusted. He said conditions in the North would remain peaceful and that he would assist Nanking in carrying out the plans of national reconstruction adopted at the

conference. The Young Marshal seems to be all powerful in the North and indications point to his continuing in power. He expects to remain in Peiping until the middle of June.

4. Return of Huang Ping-hung.

Huang Ping-hung, Vice-Director of the Aviation Administration of the Ministry of War, returned to Nanking on May 19th from a foreign tour which took him to Europe and the United States. With the desertion of General Chang Hui-chang, the Director, to Canton, General Huang has been made Acting Director. It is understood that General Huang while in the United States closed a contract for the purchase and immediate delivery to China of six bombing planes. (This is connection with General Huang's visit to G-2.)

5. Mukden Linked with New York by Radio.

An item of interest was given out by the official news agency (Kuo Min) on May 21st to the effect that "the linking up of the North-East with America by radio has been realized on a practical basis, the trial tests for direct radio communications between Shenyang (Mukden) and New York having proved highly satisfactory. A regular service will be formally inaugurated early in June".

6. Foreign Investments in China.

A foreign expert who has made a careful study of foreign investments in China places the total amount at near $3,500,000,000 gold. Of this amount, $2,500,000,000 represents direct investment made by foreign corporations and 750 millions foreign obligations of the Chinese Government. He concludes that this amount is interesting because of its smallness.

7. Situation of Missionaries.

Reports received from interior provinces indicate a growing discouragement among missionaries. There are many factors that contribute to this discouragement, e.g.:

1. Disregard by the military of property rights of missionary societies.
2. Failure of the Nanking Government to reimburse missionary societies for losses due to communist-bandit raids and damages to property inflicted by government troops.
3. Failure to obtain protection from local authorities.
4. Restrictions placed on conduct of mission schools.
5. Unsympathetic attitude of Chinese officials.
6. Diminution of financial and moral support of local Chinese.
7. Increasing indifference among Chinese church members.
8. Reduction in contributions from the United States.
9. Uncertainty as to status of missionary work after abolition of extraterritoriality.

8. Extraterritoriality.

After months of desperate effort on the part of the Minister of Foreign Affairs to reach an agreement with the interested powers for the abolition of extrality before the assembly of the People's Conference, no definite understanding could be reached, and negotiations ended with the following declaration by the Foreign Minister before the conference on May 11th:

"The Chinese Government and people are unanimously resolved to terminate the regime of the unequal treaties including extra-territoriality within a definite period as evidenced by the recent resolution of the National People's Conference, which fixed January 1, 1932 as the date for the assumption of jurisdiction over foreign nationals, and nothing will alter this decision irrespective of the consequences."

This gesture appears to have been the swan song, and further discussions of abolition have been placed in the discard for the time being.

9. Feng Yu-hsiang.

The following information is the result of an interview granted Captain Mayer of this office by Mr. G., who requested that his name be withheld:

I saw G. yesterday afternoon and asked him about his trip to Shansi. He spoke freely but asked me to keep his name out of any reports that might be sent in.

About May 7, Chang Hsueh-liang sent for G. and said that he knew he was an old friend of Feng's and that he (Chang) was sorry to see that a man with Feng's ability and history should be put in the position that he is in now, knocking around Shansi, and that he would like to do something for Feng. Accordingly Chang asked G. if he would not carry a message to Feng. G. agreed, and it was arranged that he should start the next day together with Ma Ping-nan (who I believe is an official in the Mukden arsenal) for Shansi with an autographed letter from Chang. The gist of the letter was to the effect that Chang had always entertained friendly feelings toward Feng and that he was very anxious to assist him; that if Feng would like to retire and leave the country Chang would guarantee his safe conduct to any port and pay his expenses; that if Feng preferred to stay in China, Chang would offer him a post almost any place he chose, even in Mukden——and so on. Chang also sent some presents with the letter, such as a movie camera and projector, a phonograph with records, and other smaller gifts.

G. saw Shang Chen, who at that time was in Peiping completing a loan for Shansi. Shang thereupon wired the Acting Governor at Taiyuanfu to render G. all assistance. The party reached Taiyuan on the 10th and that night were entertained by one of Feng's officers who apparently knew about the message but who did not think it possible to reach Feng because he was moving around so rapidly. The next morning G. called on the Acting Governor, who received them well but said he did not know where Feng actually was, but that he would send them on to Fenchowfu where they could get in touch with Feng's headquarters. They were furnished a car and a truck and went down to Fenchow the next day. There they were told that Feng was somewhere in the southern part of Shansi and that in order to get there they would first have to retrace their steps to Taiyuanfu and go down on the east side of the Fen River. They were urged to leave the letter and presents to be forwarded direct while they went around. This they did. G. also sent a personal message to Feng asking for an interview. The party returned to Taiyuanfu and prepared to go south. Each day, however, messages would come up giving Feng's location at different inaccessible places in the south Shansi mountains, and finally a message came from Feng with a reply for Chang Hsueh-liang and a pair of scrolls in Feng's own calligraphy for G.

Feng's reply was couched in very polite terms. He said that he did not believe this was a propitious time for him to go abroad and therefore felt compelled to refuse. However, he was interested in the other proposition and would like to know what commission Chang had for him.

G. said that it was evident that Feng knew that Chang's message was on the way and that Feng did not want a personal interview at this time. Both the Shansi and the Kuominchun officials——particularly the latter, found lots of reasons why it would be difficult to see Feng personally. On the receipt of Feng's reply, G. decided that it would be useless to try further for a personal interview and returned to Peiping, reaching here on the 23rd.

I just want to point out that at the time G. was trying to get in touch with Feng, the Canton incident was just breaking and that may have a bearing on Feng's reasons for not wishing a personal interview.

Note: Much of the above is confirmed by an agent of the British American Tobacco Company, who was in Taiyuanfu when G. and his party arrived. The B.A.T. agent was also in Fenchowfu when G. arrived there. He informed me that he was satisfied that Feng was in Fenchow at the time, living with American missionaries.

N E Margetts

Nelson E. Margetts
Lieutenant-Colonel, Field Artillery
Military Attache

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NOTE: As this pouch is leaving information has been received that on the 28th inst. a rebel government was set up in Canton.

N Ems

6-1

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MIL. INTEL. DIV.
JUL 9 1931
2055-622
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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

May 28 - June 9, 1931

1. General.
2. The Political Situation.
3. Chang Hsueh-liang.
4. The Military Situation.
5. Change or Renaissance?
6. The Boycott in Java.
7. Miscellaneous.

RECEIVED G/2 W. D. JUL 8 1931

1. General.

Omens of war again stalk China. Pessimism hangs its gloomy cloud over the land. Hope centers in Chiang Kai-shek---elsewhere is despair.

In the North the Young Marshal is ill with typhoid, and since his body is ravaged by excesses he cannot make rapid recovery. His generals will not take orders from any but him. Shih Yu-san and Sun Tien-ying are preparing to denounce the government, while Feng is exhorting the Kuominchun to a last effort which they are loath to make. Chiang Kai-shek has announced his imminent departure for Kiangsi to head the anti-Red-communist campaign, but in reality is gathering troop trains at Pengpu and threatens Shih Yu-san on the Peking-Hankow Railroad.

In Kiangsi all government troops are retreating, having suffered heavily at the hands of the bandits. Even the 27th Division under Sun Lien-chung has met serious reverses and is in retreat. The 19th Route Army has so far remained neutral but must sympathize with Canton since its intervention could have saved the defeat of the 50th Nanking Division at the hands of the Reds. Chiang Kai-shek is placed in an embarrassing predicament since by attacking Shih Yu-san, Chang Hsueh-liang's protégé, without the latter's consent, he may lose the Young Marshal's friendship. The Manchurian warlord is too ill to discuss military affairs. Shang Chen has been asked to move his troops from Shansi against Shih but will not unless the Young Marshal so directs. Wang Chin-yu, commanding the 43rd and 47th Divisions, has returned to Peiping from Kiangsi and, pleading illness, tells his intimates that under no conditions will he return to the South.

Chang Tsung-chang, of so much ill fame, has left Beppo in Japan for Dairen---why no one knows.

Ho Ying-ching, though loyal to Chiang Kai-shek, has told his friends that his soldiers in Kiangsi will no longer obey his orders.

The rebellion is directed against Chiang Kai-shek in person. Delay on the part of the government implies lack of support for their leader, and so Nanking must act speedily---but how? Any other Chinese in Chiang Kai-shek's position would retire, but Chiang's friends and followers think that he may still have strength enough to extricate himself from a situation which bids fair to become worse than that of the Feng-Yen rebellion of last year. This is the hardest test Chiang has had to face. Rather than predict peace for China and prestige for him if he meets it, one is bound to feel that with the enormous fund of distrust and hatred growing for him, even the most marked success would be followed by other rebellions.

All this is not new in China. China remains the vast stage where the actors do not know their lines and there is no prompter. The curtain rises on comedy which is changed before the audience is aware to tragedy. The play is interminable, but in its essence it never changes. To understand China read "The Three Kingdoms".

2. The Political Situation.

On May 28, a secessionist government was formed in Canton. The committee form of government patterned on both Moscow and Nanking was adopted, and since one of Canton's main abominations is a dictatorship, plans have been made for the rotation of chairmen in the various committees. In the Military Committee, advices in the press to the contrary notwithstanding, some other scheme will undoubtedly be used.

Tang Shao-yi, who has the largest following among the overseas Chinese of any member of either the Northern or Southern governments, is busily engaged in winning financial support from expatriated Chinese. He has added the necessary prestige to the movement and it can be said that most of the dignity and political weight is now with Canton.

Mr. Chang Chi, emissary of Chiang Kai-shek, arrived in Canton during the last days of May and, it is reported, has met with no success in his peace overtures. He has recommended telegraphically to Nanking that the Central Supervisory Committee sitting alternately in Shanghai and Nanking be allowed to settle the question, and thinks that the C.S.C. of the Canton government would join such a meeting. He further suggests that a modified autonomy such as Manchuria's be given the South. Since it has been reported that such an offer was made to Canton and refused it is not likely that the rebel government will accede now when time is playing in its hands.

The Maritime Customs in Canton is still functioning under Nanking control but preliminary arrangements have been made to seize it.

Appointments in the Canton Government show a preponderance of able party leaders. On the Standing Committee of the rebel national government are Messrs. Wang Ching-wei, Tang Shao-yi, Sun Fo, Ku Ying-fen and Hsu Chung-chih. The Military Committee is composed of Generals Hsu Chung-chih, Chen Chi-tang, Li Tsung-jen, Li Lieh-chun, Tang Sheng-chih, Pai Chung-hsi, Chang Fa-kwei, Chen Tse, Chang Hui-chang, Li Fu-lin and Tang Sheng-ming.

On the Political Committee are Messrs. Hsiao Fo-cheng, Teng Tse-ju, Lin Sen, Tsou Fu and Feng Chu-wan.

The bearers of the names which have been underlined are capable, nationally known figures of importance and following. The committees of the Nanking Government dwarf in comparison.

In the North, Chang Hsueh-liang's sickness comes as a blow to the government. He is not malingering as the South seems to believe but is really ill. His loyalty, up to the stage of personal sacrifice, is not doubted, and were he in active charge many of Nanking's worries would be assuaged.

Persistent rumors declare Chang Tso-hsiang dissatisfied with the Young Marshal's actions. The older Chang, the head of the conservative element in Manchuria, is not interested in China as a whole but believes Manchuria needs and requires all Manchuria's attentions. This chasing after the golden fleece of democracy on the high-stepping Kuomintang Pegasus of magniloquence does not appeal to an old gentleman deeply interested in mah jong and the output of his coal mines. It is thought in many circles that he may at any moment demand his independence from the Young Marshal.

The situation in Shansi is highly complicated by the unwelcome visitors who have usurped the rich south land. Feng Yu-hsiang has left his mountain retreat where he long has been pictured in the press as engaged in the innocuous pursuits of painting plum blossoms, regardless of the season,

and growing various shaggy and befringed whiskers, and has joined his troops. An authoritative though unfriendly source indicates that the Kuominchun does not look so kindly on Feng as it did before the vicissitudes of the last campaign. The soldiers feel that their existence has been due not to Feng but to the Young Marshal, and while during Chang's illness they may be disposed to listen to the blandishments of Feng, on his recovery they are expected again to obey Mukden's orders.

Shih Yu-san and Sun Tien-ying, who many Chinese believe should have joined their fathers these many years, are in league and while it is hardly possible that they will attack Chiang at present they will certainly seize an opportune moment if one presents. Chiang Kai-shek has gathered troop trains on the southern part of the Tientsin-Pukow Railway, and having announced that he is going to Kiangsi, is now ready to suppress Shih many miles to the north. This actually is his plan as disclosed by his representative here to a Chinese dignitary. But the Young Marshal's illness complicates matters since Shih is ostensibly under Chang Hsueh-liang though more certainly under Chang Tso-hsiang, and Nanking fears that an attack without the Young Marshal's consent might alienate its most potent mainstay. The Governor of Shansi has been requested to move his troops against Shih, but will not do so until General Chang Hsueh-liang so directs.

Wheels within wheels. The same situation though with different characters and different settings which was inherited from Yuan Shih-kai and has since changed in outline perhaps, but not in substance.

3. <u>Chang Hsueh-liang</u>.

On June 1, the Young Marshal and his aide, Mr. Tommy Lee, were taken to the Peking Union Medical College suffering, it is reported, from typhoid. Of course rumor has it that he has been poisoned and this belief is current among most of the Chinese. While it is extremely difficult to get any news from the medical profession, it is generally understood that Mr. Lee is dangerously ill and that the Young Marshal's condition is serious although not critical. The Rockefeller Hospital, in spite of the fact that it is an American institution and would turn to the American authorities in case of trouble, is singularly reticent in the present case. Requests to its head for information are disregarded, and most of the news concerning the Young Marshal comes from the laity---both Chinese and foreign.

The whole isolation building has been taken over by the sick man and his bodyguards have moved into the barracks across from the main entrance to the hospital, and it is conceivable that the Marshal's death could be kept a secret for some time after it occurred. It will be remembered that under far less favorable conditions Chang Tso-lin's demise was kept secret for seventeen days.

Shang Chen, however, told me that on June 4th he had seen the Young Marshal through a glass door and that on June 9th he was still alive.

Rumors of course are rife all over North China reporting his death from practically every cause. Some of these rumors appear to have reliable backing. However, Dr. Stephenson, who was called upon to embalm Sun Yat-sen, has not been asked for assistance and it is generally believed that the Young Marshal's condition is progressing as well as can be expected.

The routine of the hospital has been sadly disrupted since Chang Hsueh-liang's own doctors have been called in to give him periodic injections of morphia. The treatment for typhoid apparently does not contemplate the frequent use of drugs.

A body wasted by drugs does not respond readily to treatment and it is thought that recovery may be postponed and long drawn out on this account.

In the meantime, as stated elsewhere, the Young Marshal's illness places Chiang Kai-shek on the horns of a dilemma and gives his underlings opportunities which they would otherwise not have for independent action. There is no one in the Peiping entourage who has sufficient prestige to take over the reins. Were Chang Tso-hsiang appointed regent during the illness it is believed that the Manchurian policy would suffer great changes. Such a move would be resisted by Nanking and the Kuomintang, since the Governor of Kirin is not a convert to Chang Hsueh-liang's policy.

We can at most picture what would happen if the Young Marshal did die. Shih Yu-san and Sun Tien-ying are even now on the verge of rebellion. Chang's death would certainly encourage the Kuominchun to revolt, and Shansi, which has been dependent upon him, would be obliged probably to welcome Yen who bides his time in Dairen. In other words, the North, which has been rather uncertainly under the Marshal's mandates, would almost revolt en masse and Chiang Kai-shek's downfall would be certain.

But even as things are now, with Manchurian generals as well as Shang Chen unwilling to obey Nanking without Chang Hsueh-liang's consent, the effectives of the North are largely neutralised and the malcontents are given their chance. The Young Marshal, weak certainly in body, morally undermined by drugs, mentally clever but not strong, has by his very weakness assumed the most important role.

4. <u>The Military Situation</u>.

It will be recalled that after the declaration of hostilities in the Yen-Feng revolt this office deplored Chiang Kai-shek's delay in making the attack. It was stated that his tardiness was giving the rebels time for preparation which should have been denied them. Undoubtedly there was a political motive in Chiang's delay——he wished to put the onus for the first shot on the rebels. His procrastination nearly cost him the war.

The situation now would, as it did then, seem to call for speed. The Canton verbal barrage has not been directed at Nanking but at Chiang Kai-shek. Any delay on Nanking's part in taking the offensive would have the nature of a tacit recognition of Chiang's faults. From a military standpoint alacrity is even more important.

The men controlling affairs in Canton are of such calibre that, given time, assistance from all quarters will be theirs. They really represent to the majority of Chinese the orthodox Kuomintang. The equipment in the hands of the Kwangsi armies in particular is far below standard. Munitions are short, recruits are in need of training, finances are at a low ebb. But given the time element in their favor these obstacles may be surmounted.

Of even greater importance perhaps is the quickening and heartening of the bandit-communist groups in Kiangsi and Hunan. This delay is aiding them in repairing the havoc wrought in the governmental anti-bandit campaign and in permitting them to gather new supplies and call recruits.

However important the time element may be, Chiang Kai-shek can not attack at once. During the period under review, the 28th, 43rd, 47th, 27th, 77th and 50th government divisions have received serious setbacks in Kiangsi and the 56th Division in Fukien. The main government forces in Kiangsi are now in full retreat northwards, and are reported as occupying the line from

east to west through Kanhsien-Changshu-Fuchow. The commander of the 43rd and 47th Divisions, Wang Chin-yü, has returned to Peiping where he is feigning illness and tells his intimates that under no conditions will he return to Kiangsi. The Red-bandits have been given a breathing space, and more important, have added to their morale at the expense of the government divisions. Ho Chien's Hunanese are doubtful.

In Fukien our Consul at Foochow reports that the 56th Division has been driven back to Yenping, and that only the defeated soldiers of this division stand between the former city and the Reds.

Chiang Kai-shek, who must base either at Nanchang or Changsha, can not push an expedition of a size large enough to accomplish his purpose from either of these places to the borders of Kwangtung or Kwangsi until he has assured the safety of his line of communications by dispersing the bandits. He must either defeat them or buy them.

But before he can defeat these victorious Red armies he must stiffen his own army with his best troops from the North. As pointed out previously Nanking's best divisions are along the Lunghai watching Feng Yu-hsiang, Shih Yu-san and Sun Tien-ying. Shih Yu-san and Sun Tien-ying have adopted such a bellicose attitude that Chiang feels he can not move these good divisions without first administering a defeat to them.

To delay him further, Chang Hsueh-liang is ill, and he does not care to offend him by making an attack in Chang's sphere and on one of Chang's subordinates without a previous consultation.

To summarize, time is what Canton needs and Nanking can not spare. In order to attack the rebels in Kwangtung and Kwangsi Chiang must first remove the Red threat in Kiangsi and Hunan, and in order to do that he must use his best troops which can be freed only after the doubtful generals in the North have their teeth drawn.

Chang Hsueh-liang is a useful piece if the goal is a stalemate, but not of much value if a checkmate is desired. He gives no indication of lending more than his moral support to the government. It is generally believed by both competent foreign observers and Chiang Kai-shek's own generals that Chang Hsueh-liang will retire beyond the Great Wall before he will fight. Of course exceptional circumstances might alter his decision, but the Young Marshal never forgets the millions lost by his father, Chang Tso-lin, south of the wall, and the young man can not indefinitely turn a deaf ear to Chang Tso-hsiang.

In this sketch of the military situation no reference has been made to the "silver bullets" which play no unimportant part in Chinese strategy. However, the picture would be untrue if attention was not drawn to this contingency. Nanking silver might win the war even though Nanking's armies were impotent.

5. Change or Renaissance?

China is changing. Since the revolution and even in the past ten years, the change has been greater than in the previous thousand. Life, which went its even way for centuries, has been disrupted by the phenomena of western industrialism and dynamicism. The old order is passing out of existence——an old order which though not meaning progress meant at least a sufficiency of content.

This change has been called a renaissance but I think incorrectly. China presented certainly up until recent years the biological phenomena of arrested growth and development. Surrounded by high mountain ranges, vast deserts and the largest of oceans, easily the most potent of Asiatic peoples, seeing nothing worthy of competition, she lay supine for centuries. Of what value was change? Her armies easily defeated the barbarian, who had nothing of cultural value to offer her. New ideas could not penetrate her geographic isolation, and her superiority over any civilization of which anything was known did not lead to the search for knowledge. Soon her geographical isolation and her understandable lack of incentive caused a mental dry rot to set in which was reflected in her worship of the past and in Confucianism.

Western civilization threw open her doors, shook her awake and began making demands, chief of which was that she take her part in world affairs. The world grew small and China's position, once so pre-eminent, contracted with it. Chinese leaders came to the conclusion that they must either meet this western invasion with its own weapons or perish before it. And so there has been a mad scramble for western learning of all kinds. Young men who had never handled a monkey wrench and never heard of one, took courses in mechanical engineering——but many more specialized in sociology and politics. In a few years there was not a branch of western learning but had opened its tomes to the inquirer.

However, the Chinese who made these great efforts were not themselves excepted from the arrested development of their people. The Chinese classics had trained their memories but centuries of mental indolence and lack of incentive had left their inventive faculties numb. They transplanted western machinery and ideas to China, - they have made nothing new. They have taken the steam engine, the dynamo, the airplane as they were given—— they have made no improvements.

They have been inclined to take western ideas with as great indifference, and have allowed them unchanged to traverse the land. No new ideas have been evolved, and so many different ideas have been imported that no standardization has been possible. There seems only a desire to get rid of that which is old and to substitute something that is new. Therefore we find the really cardinal virtues of the Chinese suffering from this wholesale importation. Filial piety, honesty, loyalty and courtesy have in large measure been supplanted by disobedience, fraud, unfaithfulness and rudeness. This strange transmutation has been intensified by a universal lack of discipline.

Renaissance in China would, I take it, mean a new birth, a revival of that which has lain dormant through the centuries. Mental processes long atrophied would awake. The nation would take up its genius where it was forgotten in the dim past, and stride on in a typically Chinese manner.

No renaissance has come to China. A change has come, a change which augurs not too well for civilization.

6. The Boycott in Java.

"He who lives by the sword must perish by the sword". The boycott, that weapon which in China's hands has altered more than one Chinese policy, has been turned against the Chinese themselves.

Recently in the city of Pekalongan, on the northern coast of Java, the natives, resentful of the wealth in the hands of the resident Chinese and of the success of the Chinese merchants, declared a boycott on Chinese goods. They even went so far as to call the Chinese "imperialists", decry their economic penetration, and urge their deportation!

The boycott was successful, whether with or without Dutch sanction is not known. The Chinese emigrant then subject to the same danger that foreign merchants in China have come to fear so much, asked the Nanking Government for warships. Whether the Chinese Consul-General at Semarang, through whom the request was put, saw the humor of the situation is not known. Chinese nationalism seldom laughs at itself. But to the foreigner who reads in every paper of the violation of China's sovereignty by the presence of foreign warships in China's waters, who hears veiled threats of boycott even from the President and Foreign Minister, who sees himself pilloried in some fashion every day, these Chinese in Java are delicious.

Unfortunately, but naturally, this item has not been given wide publication. It would not do for the demagogue or his follower to realize that Chinese living under conditions similar to the foreigners in China express the same "imperialistic" yearnings.

7. Miscellaneous.

Mo Teh-hui and Moscow. While Rengo (Japanese News Agency) has reported that Mo Teh-hui has been recalled from Moscow for accepting bribes from Soviet Russia, he is still there, although his mission is meeting with little success. Nanking's attention is riveted upon the present political and military situation and Mo is receiving scant consideration. In order to meet with success Mo Teh-hui must have Nanking and Mukden solidly and actively behind him. Pourparlers are practically at a standstill, and the conference will undoubtedly await the settlement of China's domestic troubles.

The Press Muzzled Again. In the areas ostensibly under the Central Government the freedom of the press has again been restricted. In Tientsin two Chinese evening papers, the Hsin Tientsin Wan Pao and the Han Wen Wan Pao, have been closed by the authorities since they are alleged to have given out false reports on the Kwangtung situation. In Chefoo, Liu Chen-nien has forbidden any reference by the press to the Cantonese affair.

Only the news which has government sanction is printed, and that of course is highly colored and is regarded with suspicion.

The Silver Mission. Senators Pittman of Nevada, Oddie, also of Nevada, Robinson of Indiana, and Congressmen Dowell of Iowa and Gibson of Vermont, have arrived in China to study the silver situation and the causes of the decline of American trade in China. They are being given every opportunity by both Chinese and foreign officialdom in their investigations and are being entertained in royal style.

That any panacea for the price of silver is to be found here is doubtful.

Eugene Chen. Eugene Chen, dubbed by Mr. Wu Chih-hui "the most handsome man", and former Minister of Foreign Affairs to the Hankow Government (1926-1927), is reported to have been appointed to the portfolio of Foreign Affairs in the new government. Shortly after his arrival in Hongkong on May 23, he made a characteristic onslaught on Chiang Kai-shek, stating that the Generalissimo is "a man with a mediaeval mind who regards China as his personal property", and that the movement at Canton was designed "to destroy the personal dictatorship of General Chiang Kai-shek, a dictatorship which he has established in Nanking".

The 5th Plenary Session of the C.E.C. On June 8, at an extraordinary session of the Standing Committee of the Central Executive Committee, it was decided to call the 5th Plenary Session of that body on June 13.

While it is announced that this meeting has been called to put into effect the resolutions passed at the National People's Conference, there is a general feeling that more important matters will be taken under consideration.

While as yet no definite news has reached this city as to the actual motive for the meeting, it is thought in many circles that it may well have been called to allow the Chairmanship of the Government to be gracefully and legally vacated. This is conjecture pure and simple, and is reported as such.

The Canton Customs. As this report is being typed it is reported that the Southern Government has taken over the Canton Customs and is collecting all duties in excess of the 5% allocated for foreign and domestic loans. The Customs Commissioner states that this seizure has been made by force majeure.

For and in the absence of the Military Attache:

Parker G. Tenney

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Captain, Field Artillery
Assistant Military Attache

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COMMENTS ON CURRENT EVENTS

June 10 - July 7, 1931

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2. The Secession Movement.
3. Scientific Expeditions.
4. The Red-Bandit Drive in Kiangsi.
5. Whither China?
6. Friction Grows in Manchuria.
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RECEIVED G/2 W. D. AUG 3 1931

1. General.

The center of interest in China has shifted from Canton to the bandit-infested province of Kiangsi. During the first days covered by this report the Canton situation seemed very serious and while no clarification has been noted the crisis undoubtedly has been passed. Now it would seem as though a compromise might be effected. It is practically certain that if Chiang Kai-shek meets with success in Kiangsi Canton will be anxious to make and accept overtures. The war weariness of the people may cause the Generalissimo to avoid any retaliatory measures.

In Kiangsi an army of some 300,000 men has been assembled to "eradicate forever" the communist-bandit menace. Two to three months have been allowed for the undertaking. While in that short space of time the main armies may be broken up, it is not possible that eradication can be consummated.

Probably the only unique weapon in Chinese warfare is propaganda. During 1926 and 1927 bands of propagandists went ahead of the Kuomintang armies converting the people and often the opposing army to the Southern doctrines, so that the advance from Canton was in great measure a parade. Somewhat similar methods are to be put into effect in Kiangsi where from Nanking have been imported a large propaganda corps which will follow the army and endeavor to convert the people from communism to Sun Yat-senism. There would seem however to be less chance for this programme to succeed than in the former case. Now following the army the propagandists will have to overcome the prejudice that the army itself will create, and it is not believed that the Anti-Red Bandit Army will treat the populace any better than other Chinese armies have in the past. No other method is possible since short shrift would be made of members of the corps were they to precede the advance.

In Manchuria a series of clashes which presage further difficulties have occurred not only between the Chinese and Koreans but also between the Chinese and Japanese. Chinese nationalism is intolerant and has in many ways irritated the Japanese in Manchuria. No love has ever been lost between the two peoples, the Chinese frankly hating and secretly fearing the Japanese, and the Japanese despising the Chinese. The tension has increased to the danger point and if the Chinese retaliate against the massacres which have occurred in Korea, grave events may follow.

So far the Japanese Government seems to have taken counsel with moderation and has withheld its heavy hand, - probably because she is not prepared at this juncture to carry into effect her plans for Manchuria. In the event of retaliation, however, she may take sudden and drastic action.

2. <u>The Secession Movement</u>.

Since our last Comments the situation vis-a-vis the Canton apostasy has greatly improved. At that time the signs were indeed ominous and it looked as though the difficulties of the government were going to be increased by outbreaks in the North. Shih Yu-san and Sun Tien-ying were becoming restive and Nanking troops were moved north across the Yellow River at Chengchow and up the Tientsin-Pukow Railroad to Suchow, to the junction of the Lunghai.

However, on June 13, Mukden moved the 16th, 17th and 20th Brigades into intra-mural China as a show of force and as a further pledge to the Nanking Government. At about the same time Shao Li-tze, Chiang Kai-shek's emissary, started negotiations with Shih Yu-san which apparently have resulted in a change of attitude for the time being, at least, on Shih's part. It has been reported that further monetary allowances were made Shih and that he was to be permitted to occupy certain revenue producing districts in Honan.

Mukden's move which was kept very secret came as a surprise to everyone. With Mukden's support Chiang is allowed a freedom of action which was before denied him and has even been able to transfer two divisions from the Lunghai, where they have been watching Feng, Shih and Sun, further south for assistance in the Kiangsi campaign.

The North is still a potential trouble maker but for the nonce quiet.

In Canton there seems to be a growing apathy towards the secessionist movement. This is due in part to the lack of unity among the leaders; to a general war weariness; but even more to resentment over the inevitable increase in taxation.

Dispositions of the Southern troops are for defense only, and the idea of punitive action towards the North is growing in disfavor.

It will be remembered that one of the main planks in the secession platform was the allegation that Chiang Kai-shek had done nothing towards the suppression of bandits. This gives Canton a face-saving measure to fall back on in case Chiang is successful in Kiangsi, since then it can be said that there is no further room for dissension.

It seems very likely that since the Canton rebellion was brought about primarily by the jealousy of the Cantonese for the Chekiang clique in the National Government, that some settlement will be reached whereby Canton is given more of the spoils of office. Basically Wang Ching-wei, Chang Fa-kwei and Eugene Chen are not popular in Canton. Their names are smeared with a red that time has not eliminated. Therefore if a graceful method of settling differences is presented, it is not believed that the counsels of these three will be regarded.

In Canton apprehension is felt for the anti-Red-bandit drive the government is commencing in Kiangsi. It is noted that while the troops of Generals Liu Ho-ting and Lu Hsin-pang are guarding the borders of Fukien and Chekiang, an open corridor runs into Kwangtung. It is feared that Chiang Kai-shek's plan of campaign may be to drive the Reds from Kiangsi into the area of secession. While in general Nanking's plan must be the eradication of banditry, it can not be gainsaid that the transfer from Kiangsi to Kwangtung of bandit activity would be looked upon with equanimity in certain government circles.

The period as far as Canton goes is one of suspension. If Chiang is successful in Kiangsi the rebellion will collapse. If on the other hand he unexpectedly meets reverses Canton will find itself deluged with offers of aid and friendship.

The Canton situation is fully covered in Report No. 8059.

3. Scientific Expeditions.

Recently great difficulties have been experienced by scientific expeditions in China. Sir Aurel Stein has been driven from Sinkiang. Roy Chapman Andrews has not been successful in renewing his expeditions in the Gobi, and the Sino-French Citroen expedition is being hindered at every turn. Since the details of these incidents have been made public there is no need of re-stating them.

It would seem, however, that all of this friction has not been caused by the Chinese alone. It is true that the Society for the Preservation of Ancient Relics has adopted a very nationalistic and truculent air and is making no effort to co-operate with Western scientists. But it is believed that a great deal of the blame lies elsewhere. For instance, a member of this Chinese society has been quoted as saying that with Walter Granger as director the American Museum of Natural History could send as many expeditions as it would into the Gobi. Dr. Andrews has been singled out as the target of their disfavor. In China personalities play a more important part than in other countries. It is common knowledge in Peiping that in spite of his many admirable qualities and his many years in China Dr. Andrews does not get along with the Chinese.

And so it is with Sir Aurel Stein. In his books he has made a laughing stock of the Chinese and has boasted of finds which to the Chinese appear little better than steals. He did not take into account the growing sensitiveness of young China.

The Sino-French Citroen Expedition has met with trouble ever since it started. Probably back of this is lack of appreciation of the face-saving methods necessary in China and the inexperience and youth of the director, Lieutenant Point. Latest advices from Sinkiang are to the effect that the Provincial Government has issued orders to prevent this expedition from entering the province.

China is now carrying a chip on her shoulder. She will not tolerate treatment which places her in a secondary position. She sticks out her foot and cries bitterly if her toe is stepped upon. This attitude must be appreciated.

There is no reason why scientific expeditions should not be carried on successfully in China, but the main consideration in choosing the director should be his tact and knowledge of the Chinese. He may be the most eminent scientist of all time and still not be able to leave Peiping.

4. The Red-Bandit Drive in Kiangsi.

The Red-bandit menace along the Yangtze and in Kiangsi and Hunan has at last received the attention it deserves. During the period under review approximately 300,000 troops have been concentrated in Kiangsi with the purpose of bringing peace to that section of China and of eradicating communism.

In general the government in the past has stationed large bodies of troops in cities in and near the bandit areas and has attempted to gain contact with and defeat the bandit armies from these bases. These centers of concentration have been islands in which refugees might seek asylum and

safety. This plan has failed. The areas of troop concentration were separated sometimes great distances from each other and often were nearly or completely surrounded by the enemy. Lines of communications were frequently cut and the Red-bandits were afforded the opportunity of uniting to attack the isolated troops——much to the government's discomfiture. Some ten or more government divisions have been defeated in this manner and the morale of the soldiers completely destroyed. Government troops came to sympathize with the bandits and even to open disobedience when an attack was ordered. It is common knowledge that arms and ammunition were frequently sold to the enemy. Such is the situation as Generalissimo Chiang Kai-shek takes over personal command. The Reds have both the physical and moral ascendancy.

The plan for the present campaign departs abruptly from the scheme outlined in the previous paragraph. The troops engaged, who are known as the Red Suppression Expeditionary Force, will attack along a wide front, the attempt being made to drive the bandits before them into their strongholds which will be surrounded and captured. The government troops are divided into three groups, the eastern, western and southern. Generals Liu Ho-ting and Lu Hsing-pang of Fukien, supported by an army under Chu Shao-liang, will form the eastern force; Generals Chen Ming-shu's and Sun Lien-chung's commands form the southern force; and General Ho Ying-chin is in command of the central group.

As these armies advance they will be followed by a propaganda corps whose mission will be to "sell" the Kuomintang and the Central Government to the people and to uproot communistic doctrine which is believed to be inculcated in a large percentage of the local peasantry.

In general the plan is sound, and with 300,000 men should be effective. The difficulties, however, are that many of these 300,000 do not care to fight; that the country is extremely mountainous making a general attack out of the question and guerilla warfare inevitable; and that Chiang Kai-shek may be unable to keep the field in person. His ability and reputation are indispensable to a successful conclusion of the campaign.

The government is endeavoring to pay all troops engaged in this campaign, and recently sent $800,000 to Nanchang for this purpose. A system of rewards has been evolved for men who do their duty, and it is reported by the Asiatic News Agency that the attacking units will be followed by the most trusted troops armed with automatic weapons with orders to shoot soldiers retreating or running away. This last expedient has become very popular in China, since many of the troops can not be trusted and can only be forced to attack by the certainty of a graver danger should they retreat.

Chiang Kai-shek arrived in Nanchang on June 22, and has assumed actual control of operations. His exact whereabouts is carefully guarded since many Red plain-clothes men are known to be scattered throughout the area under the government's control.

While the eradication of pseudo-communism and pseudo-communists may be the generally announced reason for this large concentration in Kiangsi, it can not be doubted but that the rebellion in Canton is also a factor. As has been pointed out previously, no campaign through either Kiangsi or Hunan can be attempted until this menace is put down. Mukden's support in the North has momentarily at least freed enough troops so that Chiang can use some of his better units in Kiangsi. Consequently it would

seem that he is taking the wise course, since it is generally believed that the uprising in Canton would collapse were the barrier created by the Red-bandit armies in Hunan and Kiangsi removed.

Mention should be made in connection with the withdrawal of units from the Peking-Hankow and Lunghai railroads of the increase in banditry in these areas. While as yet of no national importance the inhabitants of such cities as Hankow are greatly perturbed over the possibilities.

5. Whither China?

The floods of Russian influence have indeed receded in China. When at their height they apparently carried all before them and the spectacle of ultra-conservative China immersed in the waters of bolshevism startled the world. From the tomes of Confucius and Wang Yang-ming to the tenets of Marxism is a long distance and the rapidity with which the journey was made should have excited the suspicion of the observer.

There are three outstanding examples of the backwash that has taken place since the days of 1926 and 1927. Chiang Kai-shek at Sun Yat-sen's behest went to Moscow in 1924 and from his subsequent conduct and his close association with Gallen and Borodin it was believed that he was dyed a permanent red. Yet not later than on his expedition to Tsinanfu in May 1927 he stopped off at Chufoo to worship at the shrine of Confucius, and about a year ago became a convert to Christianity.

Tai Chi-t'ao, during the days of the Hankow regime when Chinese women disregarding the modesty of centuries paraded naked in the streets of Hankow to demonstrate their freedom from the bonds of the past, was probably the most radical member of the short lived government. Today he is pro-pounding the Confucian classics to a select few.

Feng Yu-hsiang publicly renounced the faith of his fathers and too became a convert to communism. And Feng too spends his leisure hours today in the study of the classics.

Only space prevents a further tabulation. The cases which might be enumerated almost ad infinitum are all reflected above.

The psychologist understands the phenomenon which is very apparent not only in China but in the United States. Those of us who have inherited from the Puritans their names find too that an intangible but no less potent spirit has also come down the generations. Try as we will we can not escape the bonds of our fathers. And in China how much heavier is that bond! The Puritanical idea has lived days to the years of Chinese conservatism and classicism. The Chinese, even as we, cannot escape.

In this fact, which should not be forgotten when attempting to see into China's future, lies a stability which is China's mainstay. Youth fights against this past in China as over the world——fights with a desperation which betokens prior knowledge of defeat. The whole gamut of the new is run, the ideals and tenets of the past are laughed at and thrown away——but not entirely, for so they can not be. Youth becomes older, sees clearer, develops judgment, and the spirit of its fathers returns. Perhaps the brief tenure of the new leavens somewhat the conservatism which young China derides but cannot overthrow.

It is incredulous that China alone can do away with her past - China which has the longest history of any nation, whose culture in the Middle Ages made Europe seem barbarian. She can not, and while we shall find modifications in the old beliefs, customs and rites, in their essence they will remain the same.

China can not escape her heredity.

6. Friction Increases in Manchuria.

During the past few months there have been a series of incidents involving Chinese and Japanese subjects which bid fair to provoke serious consequences. Which is to blame, the Japanese or the Chinese, is impossible to determine - probably both. However, the tension which historically has always existed between these peoples has increased and untoward incidents may be expected.

In Wanpaoshan, Korean farmers were arrested after a dispute with the Chinese police; an alleged violation of Chinese territory occurred at Yingkow by Japanese police; later a clash took place between Japanese and Chinese police at Yingkow; and after stating that Japanese should be punished according to Chinese laws a Chinese judge at Changchun sentenced some ten Koreans in various degrees. The newspaper reports of these various episodes coming from the two different sources, Chinese and Japanese, have little in common and it can only be said that the latent hatred of the two peoples is being aggravated by the press.

The situation can be compared with that on the Chinese Eastern Railway in 1929, where the Chinese by a series of discriminatory acts caused the Russians finally to invade Chinese territory and to inflict sanguine defeats on the Chinese armies. Care is needed that Japan does not follow Russia's lead. China is in no condition to flout Japan's interests and nationals in Manchuria or in any other place. Japan too is touchy and the difference is that she is potent also. Far reaching consequences might follow a Japanese occupation and it is not likely that the results would be as innocuous as was the case with Russia.

The second clash at Wanpaoshan occurred on July 1st when rifles and spears were brought into play between some hundreds of Koreans and Chinese. Japanese reports state that Chinese police carried nine of their number away as prisoners. Chinese reports are to the effect that some twenty Chinese farmers were slaughtered by the Japanese police.

Almost immediately serious anti-Chinese riots broke out in Korea and on July 3rd disorders were reported from Chemulpo and Seoul. At the present writing Chinese are being maltreated in practically every city in Korea.

Official dispatches to the Japanese Government put the Chinese casualties at Pingyang, where rioting is gravest, at 37 killed and 93 injured.

There are some hundreds of thousands of Korean settlers in Kirin. Most of them have not become Chinese citizens and live under Japanese protection. Were retaliations to take place on the part of the Chinese the outcome would be indeed grave. The situation is pregnant with possibilities.

7 - MISCELLANEOUS

The Moscow Conference.

Mo Teh-hui in Moscow has been unable to overcome the dilatory tactics of the Soviet and so far has been forced to confine his discussions to minor matters affecting the management of the Chinese Eastern Railway. The Soviet pursues its old policy and prefers to see how the civil strife

in China materializes before making concessions which later may prove to have been unnecessary.

The United Press on the 21st reported a plan apparently of Russian origin for the redemption of the railroad which would do Wallingford proud. A certain sum, say four hundred million gold rubles, would be decided upon as the price of the road, and thereafter all Russian goods would have free entry into China; the amount of import duty thus foregone to be placed against the four hundred million ruble purchase price. Perhaps on the face of it this simple scheme would save China from her inability to buy back the railroad, but everything in this plan is not on its face. For instance, the interest alone on four hundred million gold rubles exceeds the total amount of Soviet trade with China, and even though Russia were willing to forego interest as a grand gesture before the imperialistic nations, when the totals of Russian imports for the past few years are considered it will be seen that it would take China about one hundred and fifty years to buy back the road. Too, while Russia is without doubt anxious to dump goods she would prefer to sell them in a country where the monetary unit has greater purchasing power. From the Chinese standpoint this is not the time to buy, since the road has had a deficit for the past two years. The plan is Utopian and not practicable.

The Young Marshal.

Chang Hsueh-liang's condition is mending slowly and he is now allowed an occasional visitor and some conferences on serious subjects of state. His personal entourage expects to leave here with him for Peitaiho Beach about August 1.

The Land Boom in Shanghai.

During the past year land values in many localities in Shanghai have doubled, and in the past ten or twenty years the average land values have increased five to ten times. This remarkable appreciation in land is due not so much to overcrowding and overpopulation, as it is to the fact that land is considered a safe investment by the Chinese. Money put in the bank, in bonds, in business enterprises, may be lost, but nothing short of an earthquake will destroy land. Speculation has of course also had its effect on land values but the idea of safety is behind the phenomenal rise.

The Institute of Pacific Relations.

The beautiful city of Hangchow has been chosen for the next meeting of the Institute of Pacific Relations. At the meeting, which takes place in October, it is expected that the Chinese will air all their grievances concerning extrality and foreign aggression. There are still many closets in China which are not ready to open their doors to the gaze of learned inquirers, and the Peiping Party Office of the Kuomintang on July 4th addressed a circular to the Central Party Headquarters at Nanking urging that since the Institute was controlled by the British, American and Japanese imperialists permission be refused to meet at Hangchow. Doubts are expressed as to whether the meeting will be truly "Pacific".

Justice Feetham's Report.

The second volume of Justice Feetham's report on Shanghai was made public on June 17. Briefly, Judge Feetham's main recommendations are:

First the rendition of the International Settlement to China should be the goal of the Council's policy, but that rendition is not possible until such a time as certain conditions are fulfilled. This will not be five or six years as has been often suggested, "but probably decades".

That there be an increase in the number of Chinese members of the Council but in accordance with their present proportion compared with the number of foreign members, and that there be an increase in total membership of the Council to not less than 22 and not more than 30.

That a Court be established to supersede and absorb the Court of Consuls; the new Court to have three qualified judges, one of them Chinese.

The entire report is characterized by impartiality, sound reasoning, and painstaking research. There is very little to criticize in it, and the large majority of Chinese see its justice. Very lukewarm attempts have been made to discredit it and it is thought that the solid, conservative element in China is in accord with Justice Feetham's findings and recommendations.

Unfortunately the rendition of foreign concessions and the abolition of extrality have been removed from the halls of reason to the platform of politics. While these Chinese may secretly be sympathetic with the report, they dare not say so openly and can only call for immediate action on treaties and concessions. No Chinese politician would dare voice approval of the recommendation.

However, such a scholarly work can not but have its affect and even though the Chinese politician disregards Justice Feetham's counsels, the foreign offices of the great powers are bound to be influenced.

<u>The Hulutao Project</u>.

Obstructive tactics on the part of Manchurian inspectors still hold up the work on the Hulutao harbor project which was begun last July by The Netherlands Harbor Works Co.

Differences have been so many that the Dutch concern has tried to arbitrate them before an impartial commission, but the Chinese will not give their consent.

The Chinese are deliberately endeavoring to hold up the work so that the Dutch company shall not receive payments which by contract are due monthly as definitely scheduled work is completed.

For the Military Attache:

Parker G. Tenney

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

July 6 - 23, 1931

RECEIVED G/2 W. D. AUG 24 1931

1. General
2. Interview with Commanding General, Peiping Area
3. Mail Plane Captured by Mongols.
4. Visit to Panchan Lama.
5. Wanpaoshan Incident and Reaction.
6. Arrest of Dr. Tucker.
7. Sino-Polish Treaty.

1. General.

Rumors, rumors and more rumors! The air is charged with rumors from all parts of China and confirmation is made doubly difficult by the strict censorship imposed by the government. The press, both vernacular and foreign, has been warned not to publish any information either military or political unless approved by the authorized censor. The result is that the only news authorized for publication is carefully selected by government officials and given out for public consumption, most of which is not based on facts. However, whether the present crisis ends in some unreal compromise or develops into a general rupture, it affords a warning of the fact that the country far from being united is more divided than for many years, and that peace will exist more precariously, if at all, during the next few months than at any time since unification by conquest was hailed as unification in fact.

This country is still a witch's cauldron and there is no justification for optimism over the immediate future. In fact, with Chiang committed to the Red campaign with the bulk of his army, the leaders of the Canton movement waiting and watching for something to happen that will eliminate Chiang and advance their forlorn cause, unrest in the North as evidenced by the revolt of Shih Yu-san and uncertainty as to the extent the Young Marshal is willing to commit himself in the maintenance of peace in the North, combined with the unhappy economic situation caused largely by unusual flood conditions throughout China, transportation on important trunk lines again in the hands of the military and a wild orgy of tax collection, one is forced to view the picture in China with doubt and gloomy forebodings. Although the situation of the government and especially of Chiang can be considered serious, Chiang may still win through and again restore order to China.

There is no doubt that the movement in the North for the elimination of Chiang Kai-shek is growing stronger. It is known that Shih Yu-san, Ma Hung-kuei and Han Fu-chu are sworn brothers and express loyalty to Nanking only through fear of the Chiang-Chang combination. These three grey generals each have a strong force of well armed troops loyal to their commanders, who will not fight against each other and when opportunity presents will fight together. This combination, with the attitude of the Shansi and Kuominchun troops in Shansi not known, is causing much worry among the Fengtien officials. If Shih is quickly suppressed the situation in the North will become normal. If Shih gains a victory and captures Shihkiachuang, the key position on the Kin-Han line (due to the fact that it commands the principal pass leading into Shansi), he will no doubt be joined by the Shansi and Kuominchun troops commanded by Feng Yu-hsiang, and I think we can look for action on the part of Han and Ma against Nanking. This of course would cause a hasty withdrawal of the Young Marshal outside the wall, and only a Divine Providence could save Chiang.

Information has just been received (morning of July 23) that the Northeastern forces evacuated Shihkiachuang the night of July 20, and Shih's troops entered the city on the morning of July 21. Refugees arriving in Peiping this morning report that when Shih's troops entered the city they proceeded to loot.

As this report goes off there is no information regarding the movements of the Shansi or Shantung grey generals. It is feared they will support Shih Yu-san.

The Fengtien troops have withdrawn across the river to Chengting where heavy defense lines are being prepared. At the same time Northeastern troops are being massed at Machang on the Tsin-Pu to cover Tientsin.

2. Interview with Commanding General, Peiping Area.

On the morning of July 20th information reached this office that martial law had been declared in Peiping and Tientsin, and the press, both vernacular and foreign, was warned not to publish any information that might arrive from Shansi or Shantung. As all sorts of rumors were flying about the city I asked for an appointment with General Yu Hsueh-chung, Commanding General of the Peiping Area, with the hope that he would clear up many of the rumors.

General Yu said martial law had become effective both in Peiping and Tientsin on July 20, the reason being that large numbers of plainclothes men belonging to Shih Yu-san were becoming active in the two cities. General Yu stated the reason Shih had revolted was because of fear that acting on instructions from Chiang Kai-shek the Young Marshal was preparing to attack him and, taking advantage of government weakness on the Lunghai, in the vicinity of Chengchow and Kaifeng, and verbal promises of assistance from Shansi, Shih immediately took over all rolling stock in his area and prepared to move north to attack the Fengtien troops at Kaoyi. He said some firing had been exchanged between the advanced troops on both sides. He said Shih was acting alone, as delegates from Shansi and Shantung had arrived in Peiping to assure the Young Marshal of the loyalty of their chiefs.

General Yu told me that Han Fu-chu had sent word that he would not fight against Shih Yu-san, nor would he assist him.

General Yu stated that Shih had only 200 rounds of ammunition per man and other supplies not to exceed two months. He said Shih's strength was estimated at 60,000 men; that his troops would remain on the defensive for the present as his rear was not well organized; that twelve divisions of government troops were moving north across the Yellow River and he did not think Shih could hold out more than one month. He said there were 150,000 troops inside the wall, sufficient to maintain peace in the North.

Although General Yu appeared very optimistic about the situation I think he exaggerated the favorable condition of the northern position. It is definitely known that the government has no such number as twelve divisions available on the Lunghai; that the Fengtien strength of 150,000 men is too large, and there is grave doubt whether or not the grey generals in Shansi and Shantung will witness the destruction of Shih Yu-san without taking some action.

3. Mail Plane Captured by Mongols.

When airplane No. 2 of the Eurasia Aviation Corporation, operating between Shanghai and Manchouli, failed to arrive at the latter place on schedule, on July 2, other planes were sent along the airway to investigate the reason for the non-arrival. Plane No. 2 was located on the edge of Lake

Baile Lulu, about 150 miles south of Manchouli and in Mongolian territory. When attempting to land the rescuing plane was heavily fired upon by what appeared to be Soviet soldiers. The pilot rose out of range but was able to take a picture of the surroundings which discloses a camp of white tents, and he says he identified figures on the ground with short coats and resembling foreign soldiers.

No news has been received of the pilots of the captured plane and service on the line has been suspended until August 1, 1931.

4. Visit to Panchan Lama (July 15).

The Living Buddha was interviewed while resting in Peiping for a short period en route to Mongolia. He has been assigned quarters in the old Presidential Palace in the Imperial City where he has had a throne erected and covered with yellow silk.

He received us very cordially and in answer to questions stated his visit to Nanking was very satisfactory. He is now en route to Northeast Mongolia where he will spend several months holding services in the different lamaseries in the Barga area. He expects to return to Peiping after completing his pilgrimage in Mongolia and will remain here for a month or so, after which time he will go to Nanking to continue discussions with the government in regard to conditions in Tibet. He stated that the situation in Tibet would not admit of his return to Lhasa at present, nor would he be permitted to enter Urga because of Soviet control of Outer Mongolia.

As the recognized Living Buddha he is an interesting character. He appears to be about fifty years of age, rather stout though energetic, and of a kindly disposition. He appeared rather intelligent along his particular line. He expressed admiration for Great Britain and America, saying he had met many citizens of both countries and liked them very much.

His following is large, the majority hangers-on who are dirty and disreputable looking.

5. Wanpaoshan Incident and Reaction.

The reaction in Korea (Chosen) as a result of the Chinese attack on the Koreans at Wanpaoshan was almost instantaneous, resulting in rioting and mobbing Chinese in important cities in Korea followed by destruction of property. Japanese officials became alarmed at the extent of feeling against Chinese and have made strenuous efforts to suppress Korean activities against them.

The reaction in China has been slow in developing. There have been no public demonstrations against the Koreans either in Manchuria or inside the Wall. The public has received the Korean incident with indifference. It is explained that the reason for this is that the Chinese who suffered from the mobs in Korea are Cantonese with whom the northerners do not sympathize.

The vernacular press is now attempting to arouse the indignation of the country against the Japanese authorities for having deliberately instigated recent anti-Chinese mob violence in Korea, and an effort is being made to establish a boycott against all Japanese goods throughout China. July 23rd is designated for parades and public demonstrations against Japanese because of the treatment of Chinese in Korea.

For further information regarding this incident see Report No.8071.

6. Arrest of Dr. Tucker.

Dr. Francis Tucker, connected with the Williams-Porter Memorial Hospital at Tehchow, who shot and killed a Chinese attempting to rob the hospital safe, was arrested at Tehchow on July 21st and taken to Tsinanfu. The American Consul at Tsinan demanded that Tucker be turned over to his custody but the demand was refused and Tucker was taken to the police station. General Han Fu-chu stated he could take no action until he telegraphed Nanking for instructions. Tucker is still held by police at this writing, July 23.

The police at Tehchow were within their rights in arresting Dr. Tucker but they should have delivered him to our Consul at Tsinan. This act of the Chinese in confining a foreigner who enjoys extraterritorial privileges has been the subject of much discussion here, as evidencing what would happen if extrality were relinquished.

7. Sino-Polish Treaty.

The Sino-Polish Treaty of amity, commerce and navigation, ratified by both countries, will go into effect July 9, 1931. The original text is in French, Chinese and Polish, and in case of dispute the French text will be regarded as the original one. A translated copy of this treaty, which is very long, has been forwarded to the Department of State by the Legation.

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COMMENTS ON CURRENT EVENTS

July 24 - August 6, 1931

RECEIVED G/2 W. D. SEP 2 1931

General:
1. The Canton Revolt
2. The Red Campaign
3. Revolt in the North
4. Riots in Korea
5. Floods
Miscellaneous:
1. Boycott Against Japanese
2. The Moscow Conference
3. Interview with the Young Marshal
Conclusions.

GENERAL

At no time since the establishment of the seat of government at Nanking has it been confronted with a situation so threatening to its very existence as the present. At no time has its power and real authority been confined to such a limited area.

The Kuomintang is torn asunder and the Party leaders are divided amongst themselves. The stability of the government is affected and unification an empty boast.

The country was never more definitely controlled by the military; in fact, it resembles a huge armed camp with selfish warlords struggling for individual power showing no consideration for the people. The calamities which face the government are enough to discourage the strongest. The most serious to be overcome in its struggle for existence follow:

1. The Canton Revolt.

The opposition government at Canton appears to be gaining strength. Time, which it was thought would bring disintegration by reason of differences between factions, has not played into Nanking's hands as no break ups have occurred. It is now felt that the movement must be suppressed or a compromise arrived at. Failing either, a permanent split in the Party will result, with the elder members of the Party in the opposition government at Canton and enjoying political prestige while the present government at Nanking is in the hands of a military dictator.

The activities of the Canton Government are causing embarrassment to Nanking as evidenced by the sending of Eugene Chen (Foreign Minister) to Japan on a secret mission at a time when relations between Tokyo and Nanking are strained due to the Wanpaoshan incident. Also, the revolt of Shih Yu-san in the North is charged by Nanking to activities of Canton.

2. The Red Campaign.

With the Young Marshal assuring Chiang Kai-shek that he would maintain peace in the North, Chiang, believing the Red menace to be the most serious problem confronting the government, decided to take command in the field and proceeded to Nanchang in June, where he assembled the bulk of his army and opened a campaign for the suppression of the Reds in Kiangsi.

The heavy rains and flooded condition of the country interfered with operations; however, Chiang has had some successes. He has occupied most of the towns where the Reds have been in control for years. He has seriously disorganized the Red administration, which will result in temporary suppression of Red activities while they shift their organization to other areas. On July 31, Chiang reported to Nanking that the government campaign against the communists had been successfully completed. This report is considered too optimistic as it is believed complete suppression of Red activities is far from being realized.

3. Revolt in the North.

While the government was fully occupied with the Red campaign and the threat from Canton, Shih Yu-san, a grey general, revolted and declared against the government. For a time it looked as though the northern provinces would be in open rebellion and the Young Marshal would have to withdraw his troops outside the Wall. Shih succeeded in forcing the Fengtien troops out of Shihkiachuang and back to the vicinity of Paotingfu. It was feared that with this success other grey generals in Shansi and Shantung would join Shih in an effort to occupy the Peiping-Tientsin area. However, by a judicious distribution of funds and presents among the uncertain generals they were persuaded to maintain an attitude of benevolent neutrality. Shih thus left alone was driven off the Kin-Han line on August 1st, and is now moving toward Shantung——it is thought with the intention of turning over his remaining troops to Han Fu-chu.

The reason for the Shih Yu-san revolt has not been disclosed. It is felt, however, that he would not have declared against the government unless assured of assistance from some important source.

Thus has been removed for the present one of the most serious obstacles confronting the government.

4. Riots in Korea.

During July riots broke out in the important cities in Korea in reprisal for alleged mistreatment of Koreans in Manchuria. Hundreds of Chinese were killed and wounded and great loss of property suffered.

The Chinese believe the riots were instigated by Japanese, and sufficient evidence is at hand to disclose the fact that the Japanese did not take prompt measures to stop the rioting. (For details in this connection see Report No. 32, dated July 4, 1931, from the American Consulate General, Seoul, Chosen.)

Notes have been exchanged between the two governments and it is reported that relations are strained, but the unfortunate situation of the Nanking Government will not admit of going too far in their demands for reparations. It was at this time that the opposition government at Canton sent its Foreign Minister, Eugene Chen, on a secret mission to Japan, which has caused some concern in Nanking.

5. Floods.

Another calamity that has befallen unfortunate China at this crucial time is the flooded condition of the country as a result of torrential rains reported to be the heaviest in fifty years. Reports arriving from the Yangtze Valley tell of tragic conditions followed by terrible suffering on the part of the populace due to ruination of crops and property. At Hankow the river is up over fifty feet and sampans are plying their trade through the main streets. Nanking is under two or three

feet of water and similar reports are received from all important towns along the larger rivers and lakes. This disaster may have more far reaching results than any other calamity with which China is now faced. The destruction of crops and property is inestimable and threatens millions with banditry, suffering and famine.

While awaiting action on the part of the government in attempting a solution of the above problem, gloom and pessimism will reign, thus affecting the stability of the government.

MISCELLANEOUS

1. Boycott Against Japanese.

As a result of the Wanpaoshan incident, followed by extensive riots in Korea during which many Chinese were killed and wounded and great loss of property suffered, certain associations, guilds and societies in the large cities have attempted to organize a countrywide boycott against all Japanese goods. The action of these different agencies has not received official approval. In the South, the new government is attempting to gain Japanese recognition and has forbidden the public to join in a boycott against the Japanese. In the North, the Manchurian officials do not care to antagonize Japan at this time and look with disfavor on any attempt to promote a boycott.

Due to the unfortunate situation of the government politically, and at a time while engaged with the Japanese Government in an effort to settle the questions arising from the Wanpaoshan incident, Chiang Kai-shek has issued instructions that any attempt to organize a boycott against the Japanese will be promptly suppressed. The result is that the attempted boycott has failed to materialize.

It is a curious fact that heretofore when a boycott was declared and the government was appealed to to stop it, the reply has been - "we have no control over passive resistance of the people".

2. Moscow Conference.

Reports from Moscow as late as July 20th indicate that discussions between the Chinese and Russian delegates regarding the purchase by China of the Chinese Eastern Railway have practically become deadlocked and may continue so for some time.

The Soviets appear to be willing to dispose of their interests for 250 to 300 million dollars gold, while the Chinese declare they would not pay more than $100,000,000. The latter have proposed the appointment of a joint commission of experts to make an appraisal of the C.E.R. property. The Russians are said to oppose this proposition.

In the event of an agreement being arrived at the Soviets demand cash or in lieu thereof the remission of Chinese customs duties not only on Soviet goods but also on all goods shipped into China across the Russian frontier, which would include both German and Polish products. China has raised objections to this proposal, and as there is such a vast difference in the views of the two delegations it is said the prospects of the two groups getting together appear hopeless, although it is understood that both sides are willing to continue negotiations.

The above information was gathered from a dispatch published by the Kuo Min News Agency (official government organ) and later that part pertaining to method of payment by remission of customs duties was emphatically denied by the government. However, this information was originally obtained from a prominent Russian official in Harbin and is believed authentic.

3. Interview With the Young Marshal.

On July 31st I had an interview with the Young Marshal, who is still a patient in the P.U.M.C. hospital. When shown into his room we found him sitting up in bed. He gave one the impression of slowly convalescing from a very serious illness which has left him very weak and somewhat deaf. His condition did not invite much questioning but he stated the situation on both the Kin-Han and Tsin-Pu railroads was satisfactory and would be cleared up in a few days; that Shih Yu-san was acting alone and there was no fear of his receiving assistance from Shansi or Han Fu-chu. He said the government troops had reached Shunteh on the 29th and were continuing north in accordance with plans to surround Shih and crush him. He admitted that his half brother, Chang Hsueh-ch'eng (who the Young Marshal insists upon calling his cousin), was leading an important unit in Shih Yu-san's army.

The atmosphere surrounding the Young Marshal is certainly one of optimism and his immediate official family seem to think the Shih Yu-san revolt one of only local importance that can be disposed of when the Young Marshal so desires. I admit at the time I did not share this feeling, but later events apparently justified this feeling of optimism.

CONCLUSIONS

1. That the rapid suppression of the Shih Yu-san revolt will strengthen the Young Marshal's position and insure peace in the North for some time.

2. Relieved of the threat in the North, Chiang Kai-shek can pursue his campaign for cleaning up the Red menace in the south central provinces.

3. With the failure of the attempted revolution in the North, the chances of success of the opposition government at Canton are greatly diminished.

4. The Young Marshal has demonstrated that he intends to remain loyal to Nanking and cooperate in the maintenance of peace.

5. That although there is a strong feeling against Chiang because of his assumption of dictatorial power, he still appears to be securely seated as the head of the government.

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COMMENTS ON CURRENT EVENTS

August 7 - 20, 1931.

RECEIVED G/2 W.D. SEP 15 1931

1. General.
2. Echoes of Shih Yu-san Revolt.
3. Opposition Government at Canton.
4. The Red Campaign.
5. Flood Disaster.
6. Japanese Indifference to China's Protests.
7. Conclusions.

1. General.

The critical situation facing the government a month ago has been considerably eased by the rapid suppression of the Shih Yu-san revolt which for a time threatened the North with open rebellion. However, after ten days of active operations, Shih's army was defeated and scattered. A situation which showed indications of developing into a real war came to a sudden end and two weeks later the Shih revolt has ceased to be a subject of general conversation, all reference thereto having passed from the front page of the daily papers.

The only ripple that disturbs the surface of peace north of the Yellow River is the secret return of Marshal Yen Hsi-shan to Shansi, the real explanation for which has not been given out. The fact remains that with the return of Yen, Shang Chen, Chairman of Shansi, has resigned and the Shansi generals have welcomed and declared their loyalty to Yen. It is not believed the government will attempt forcibly to expel Yen from Shansi. At present the Young Marshal controls the situation in the North and continues to cooperate with Nanking.

2. Echoes of Shih Yu-san Revolt.

Many conflicting reports are received regarding the disposition of Shih's defeated army. His strength was reliably placed at 100,000; following his defeat of July 31, the units of his army have melted away and not one-third of this force has been reliably accounted for.

Shih himself has disappeared and his whereabouts has not been reliably reported; neither has that of General Chang Hsueh-cheng, half brother of the Young Marshal.

It has been expected that the surrounding country north of the Yellow River would become the scene of bandit activities. Reports are coming in confirming this expectation and identifying the bands as ex-Shih Yu-san soldiers.

It is the general opinion of observers that Shih was persuaded to rise against the government by offers of money from Canton and promises of assistance from grey generals in Shansi and Shantung, encouraged by the fact that Chiang Kai-shek, being committed to the Red campaign in Kiangsi, would be unable to lend assistance to the Young Marshal.

Shih's rapid elimination will no doubt serve as a future warning to grey generals in the North who are inclined to use force against the Mukden-Nanking combination.

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3. The Opposition Government at Canton.

Information from Canton, confirmed by our Consul General, indicates that Wang Ching-wei has emerged as the dominating leader among the factions in the opposition government. His idealism and force of character, his enthusiasm and his brilliant oratory have gained the respect of his colleagues and have made him the chief spokesman of the party.

However, with the collapse of the Shih Yu-san revolt there are rumblings of dissension among the different factions with sudden departures of important leaders to Hongkong where they remain until persuaded to return. There have been persistent rumors to the effect that units of the Kwangsi and Kwangtung troops had crossed the Hunan border and were advancing on Changsha. The crossing of the border has been confirmed from Changsha but with the failure of the revolt in the North it is not believed these troops will continue the invasion.

Notes are being exchanged between leaders of both sides with a view to getting together to discuss a possible compromise. It would not be surprising if some agreement were arrived at, as the Canton position is becoming weakened.

4. The Red Campaign.

Reports of government successes against the Reds continue to arrive from Kiangsi. If government despatches are correct, the Reds have been driven into their last strongholds on the Fukien and Kwangtung borders. It is believed that government reports are considerably exaggerated. On July 31, Chiang reported to Nanking that the government mission for the suppression of Reds in Kiangsi had been completed. This report was made at a time when the situation in the North was most critical, with the object of encouraging the government and government troops. With the removal of the menace in the North, additional troops have been sent into Kiangsi to aid in the Red campaign and Chiang Kai-shek remains in the field to lend encouragement to the troops. It is not believed the Red menace has been removed by any means. Their cause has been aided by the flood disaster which has affected all of central and south China.

5. Flood Disaster.

The unprecedented rise in the Yangtze River has brought death and destruction in its wake and seriously affected the economic life of about one-half of the population of China. Reports from Hankow state the water has risen to 53 feet, the highest mark for all time, and that the entire city is threatened with extinction.

It is reported by eye witnesses that in many places the Yangtze has become an inland sea, with all signs of habitation and crops wiped out.

The indifference and delay of the government in answering appeals for assistance has been criminal. It was only when the water had reached a high mark for all time and threatened destruction to whole cities and areas that the government began to organize for relief of millions of sufferers, and relief will come too late now for most of the refugees in the Wuhan area.

For more details concerning this new disaster to China see reports rendered by our Consul General at Hankow.

6. Japanese Indifference to China's Protests.

As a result of the Korean riots during which many Chinese were killed and much property destroyed, an anti-Japanese feeling has developed throughout China and an effort to organize a nation wide boycott against

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Japanese goods has failed because of government disapproval. However, the general feeling is that Japan is largely responsible for the outrage and the government has submitted several notes asking the Japanese Government to make reparation in the form of indemnity to the Chinese nationals who suffered during the riots. The Hankow and Nanking incidents, during which Japanese nationals suffered loss of life and property and for which the Japanese Government demanded and received indemnity from the Chinese Government, serve as a precedent and would seem to justify the Chinese demand for indemnity for Chinese losses as a result of the Korean riots. However, the Japanese Government has received the Chinese notes with indifference and in reply, besides disclaiming all responsibility in connection with the anti-Chinese riots in Korea, has made certain counter-demands in regard to the present nation wide anti-Japanese movement in China.

The present situation in China will probably not admit of the pressing of Chinese demands for some time.

7. Conclusions.

In the North, there is little danger of peace being disturbed for some time. The situation in Shansi is uncertain since the return of Yen, but will not give government officials much worry.

Central China is faced with a terrible problem in the nature of the flood disaster. It is impossible of immediate solution and a great population must suffer while nature takes its course.

The Red campaign is slowly but surely progressing in favor of the government and the situation in the South shows indications of a peaceful adjustment of differences between Nanking and Canton. It begins to look as though Chiang Kai-shek will emerge successfully from another critical situation.

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COMMENTS ON CURRENT EVENTS

August 21—September 2, 1931

1. General
2. Flood Disaster
3. The Kiangsi Drive
4. The Southern Rebellion
5. More Sino-Japanese Friction
6. Quiet in the North
7. Compromise
8. Miscellaneous

RECEIVED G/2 W. D. SEP 30 1931

1. General.

To a China ravished by a warfare which has lasted some twenty years, gutted by communism, recuperating from a serious draught, with its political members severed or nearly so from the parent Nanking, has come the most serious flood since the 15th Century. To a Western government, the addition of the flood to the others wees would mean collapse. This is not necessarily true in China. Government to the ordinary Chinese means the collection of taxes. He does not expect government aid in his daily life nor government succour in distress. True the local magistrate is blamed occasionally for extortion, but Nanking and Peiping have no actuality as far as he is concerned. Therefore political repercussions need not follow the disaster in the Yangtze River Valley. With the fall of the waters, which has already commenced, plague is anticipated and measures are now being taken to prevent its spread.

The Cantonese question seems nearer settlement by peaceful means than ever before. The communist drive in Kiangsi is proceeding satisfactorily. The North is quiet with excellent crop prospects. In fact, were it not for the Yangtze and Grand Canal floods China would be in an unusually peaceful and prosperous condition.

2. Flood Disaster.

The tragedy of the floods in the Wuhan area and the district in Kiangsu along the Grand Canal staggers the imagination. When one speaks of 50 or 60 million homeless, of 30,000 to 40,000 square miles of land covered by an inland sea, he deals with figures which are too large for comprehension. An area approximately twice as large as the states of New Jersey, Maryland and Delaware is under water and a population greater than that of the United States in 1870 is homeless and destitute.

Tragedy on such a grand scale benumbs the sufferers. Everyone is a victim and so no comparison exists. It is fate. And the victims crouched on railway embankments, grouped on the roofs of their houses, many diseased, many starving, inured to privation and suffering through China's 3000 years of history, complain less than the New Yorker would if the water supply was interrupted for an hour. These people are apathetic. They resist the attempts of the relief organizations to move them so long as they can see the roofs of their houses over the water. They must be vaccinated by force.

A vast sea spreads over Central China—tideless, yellow, putrid. A sea on which large junks sail over the roofs of hundreds of villages and scores of temples. A sea in which huge star-fish which once were human beings jostle huge barrels which once were cattle.

And when the waters recede, which they are now doing at the rate of one to two inches a day, and when the land is again visible, another of the Horsemen of the Apocalypse——plague——will ravage the countryside. And plague not being enough, banditry which will be called communism because its adherents have been starving and must eat will scourge the remaining inhabitants.

In the meantime China has made arrangements for huge shipments of wheat from the United States which must arrive soon if to be of any assistance, and T. V. Soong and the Legislative Yuan are engaged in acrimonious discussion of the amounts to be appropriated for relief. 10,000,000 silver dollars have already been raised, and the Legislative Yuan insists that 80,000,000 more be borrowed. And T. V. Soong is faced with an empty treasury and lack of credit. The millions that have been squandered by Chiang Kai-shek on ammunition, arms, German advisers and silver bullets, have not only emptied the treasury but have weakened the credit of the entire nation. T. V. Soong must also remember that President Chiang has told him that another military rehabilitation loan is necessary.

There is no manner of telling how much more money Nanking has spent than did all the militaristic governments in Peking. It is more and everyone appreciates it. Perhaps it has bought one man one idea which may be worth something later. Perhaps it has brought Generalissimo Chiang to the realization that China cannot be controlled by one man.

The turbid Yangtze flows on to the sea carrying with it the food and hopes of millions, leaving behind starvation, plague, poverty and banditry. Perhaps it has all been needed to teach one man one thing.

3. <u>The Kiangsi Drive</u>.

Most of the news of the bandit-communist drive in Kiangsi continues to be that derived from government sources. From other sources very little seeps through the cordon of government censorship, and that too is liable to suspicion. Foreign sources report that during the past fortnight at least three Nanking divisions have met with serious reverses. Government communiques report all going well and the communists on the verge of extinction.

It is known, however, that the majority of Red strongholds have been captured and that very few large bodies of troops still remain intact. Prizes for the bandit chiefs dead or alive formerly fixed at $50,000 have now been advanced to $100,000.

The flood has temporarily halted activities in large areas in both Hunan and Kiangsi where if the field of operations is not under water communications have been interrupted. Airplanes are being used freely and are reported to have met with some success in bombing communist strongholds and in carrying out scouting operations over the mountains of Kiangsi.

The end of the campaign is not in sight, if the end is taken as eradication of communistic activity, but is in sight if taken as the scattering of the Red armies.

With the flood, however, which has brought famine and misfortune to millions, so-called communistic activity has increased in the Wuhan area, and it is to be expected that many recruits will be added to the anti-government forces.

Chiang Kai-shek stated a few days ago that he expected the campaign to be over in October. Certainly his presence has meant much to his men and above all has stirred his officers to a more than usual effort.

4. The Southern Rebellion.

More and more it seems as though the secession in the South would be settled by political means. The views of Peacemaker Wu T'ieh-ch'en are given in Letter No. 8091.

Canton is faced with dissension and the difficulty of getting war materials. Wang Ching-wei has, on the plea of illness, removed to Hongkong. His departure is reported as due to his feeling that Sun Fo and Ku Yin-fen are not loyal in trying to reach a compromise with Nanking, and to a personal rupture with Chen Chi-tang.

Observers in Canton fear that Wang's disaffection may bring about a coup de main in which the Kwangsi leaders may again seize Canton. Wang Ching-wei is reported as being very much more close to them than he is to the Cantonese.

On Nanking's side the flood in the rich Yangtze Valley will tie up all available resources and even hypothecate the future to such an extent that peace proposals from Canton should be listened to gratefully.

Canton's main dislike is Chiang Kai-shek, and if Nanking can curb his powers even though it be on paper alone, Canton may gain enough face to ask for peace.

In a telegram to Wu T'ieh-ch'en and Chang Chi, Nanking peace emissaries, the Cantonese have suggested that they both repair to Canton where the differences may be discussed. Wu and Chang replied suggesting Shanghai, but Canton replied that since the rich Yangtze port was in the clutches of the dictator Chiang Kai-shek, this was impossible. It seems likely that Canton will be chosen and that peace parleys will take place there within a comparatively short space of time.

5. More Sino-Japanese Friction.

Added recently to the Wanpaoshan affair, which is still being aired in the Chinese press, there have been an "incident" at Tsingtao and the so-called Nakamura murder case.

In Tsingtao a fight arose over the purchase of a fish in which some scores of Japanese and Chinese were wounded, and insults passed as freely as blows. The local authorities have settled this affair, at least for the time being.

But the Japanese military caste has been greatly excited over the execution of the Army Captain Nakamura and his party, who met their end between Taonan and Solun in Manchuria. It seems that Captain Nakamura, with a Mongolian and Russian interpreter and a retired Japanese Army Sergeant named Isugi, were carrying on "investigations" in the Hsingan colonization area between Taonan and Solun, where they were arrested by Chinese troops at a small village near the latter city. The execution, according to the Japanese who have carried out an extensive investigation, occurred in the presence of a Chinese regimental commander, and was followed by cremation.

While the execution took place on or about July 1st, the Japanese suppressed all reports until after their investigation which was completed in the middle of last month.

The Japanese General Staff, feeling that their honor was not being properly vindicated by the Japanese civil authorities, sent a Mayor Moei to Mukden as representative. Shortly after his arrival he gave out the following for publication:

"In dealing with so serious a case, nice diplomatic courtesies could not satisfy the Japanese Army, and I am here to see for myself what amount of sincerity is shown by the Chinese side handling the case. It goes without saying that, once we are satisfied of lack of sincerity on the Chinese side, the Japanese side might enforce its demand."

The Japanese Consul General has demanded an indemnity, apology, punishment of the responsible Chinese army officers and assurances of protection in the future. The Chinese are reported to be anxious to accede to these demands.

Japan was certainly involved in the recent Shih Yu-san revolt. More and more is she meddling in China's domestic affairs with always the goal of less restriction in Manchuria and preferential treatment in intramural China. Chinese nationalism is quick to resent such action, and feeling is running high between the two peoples.

China fears that a re-united China will but be a bait to Japan's militarists and sees trouble ahead. Japan fears a united China will curtail her powers in Manchuria. And Soviet Russia has now a permanent Siberian Army and is daily gaining in potential power.

6. Quiet in the North.

Chang Hsueh-liang, to whom the government owes so much, dominates all elements north of the Yellow River. The question "will he fight?" was answered to Shih Yu-san's discomfiture and now all elements fear his strength.

In Shansi alone is there any possibility of trouble, and the Shansi situation is purely local. With Yen Hsi-shan in Shansi the Manchurian leader does not feel at ease in Peiping. It was reported that at a meeting of the various northern commanders held here last week, a decision was reached to oust Yen. Just what steps will be taken to accomplish this end are not known, since the men in power in Shansi now are all Yen men and may be trusted to give him sanctuary as long as he desires. With Shang Chen's departure, Hsu Yung-chang has been made Chairman and Fu Tso-yi has been given Suiyuan in place of Li P'ei-chi.

More trouble is predicted in Shansi because of the collapse of Shansi bank notes, and the acknowledged desire of the government and Marshal Chang Hsueh-liang to have a loyal henchman at the head of affairs.

Han Fu-chu attended the recent military conference in Peiping and as far as the eye can see appears loyal to Chang Hsueh-liang and the National Government. His loyalty is of the mouth and not of the heart, however, and while so long as he is allowed his own way he may be expected to keep the peace, an attempt at the curtailment of his powers would undoubtedly meet with resistance. He is reported as being ambitious, and of picturing himself as the largest man in North China.

Crops in the North are good, and the China in and around Peiping and Mukden can look forward with optimism to the immediate future.

7. Compromise.

It seems an impossibility for a Chinese to meet a clear cut issue squarely or to carry to a logical end his conclusions. Always there is compromise. Compromise is part and parcel of the Chinese nature and undoubtedly had its conception in the struggle for existence which for

thousands of years has kept more people alive on less subsistence than the laws of humanity seem to warrant. Logically one-fourth of the Chinese race should die so that the other three-fourths could be properly nurtured. Compromise keeps all alive although not properly nurtured. An exception is here noted to the laws of the survival of the fittest which function logically and pitilessly in other countries. As a matter of course the fit here become less fit that the poorest specimens may keep the breath of life in their emaciated bodies.

You come to the conclusion either in your home or office that you have too large a staff. To your No. 1 Boy you say, "I have too many servants. If you will do the coolie's work as well as your own I will increase your pay by a sum equivalent to the coolie's hire". Your Boy is not even tempted. By accepting the extra money he would be taking food from another mouth. A fine act in one way but another a mere compromise with the inevitable.

In the buying and selling of merchandise, in the trading of the diplomats, in matters of truth, in matters of honesty, in every phase and every condition of life compromise plays its part. Wars are not carried to their logical conclusion since the defeated army is either allowed to retreat unmolested or his troops are incorporated into the army of another - this not once but every time. Sun Yat-sen's compromise with Yuan Shih-kai has not only brought about a twenty-year war in China which is by no means ended, but has brought about other compromises which make peace impossible.

Foreign governments should never take China at her word. They should never forget that compromise on every point may be expected.

It is not possible to estimate just how much is really meant by the grand phrase "there can be no compromise with truth", which frequently is asseverated in the West. In reality most of our lives are compromises - those who "hew to the line, let the chips fall where they may", who refuse to compromise with life, die as martyrs, heroes, or as wards of state. However, the Western concept does not call for compromise in every detail of life.

The young man flaunting his damp diploma attacks life with an ardour which permits of no compromise. He grows older, and at last finds that if he has lived he has compromised with some of his principles. The young nation attacks life perhaps with the same verve, but when old as China smiles at the enthusiasms of youth. China is the old rake who laughs at life's enthusiasms - at life's principles; the gamut of every passion has been run, the cup has been drained; in the knowledge of experience he sits cross-legged, big bellied and smiles.

7. Miscellaneous

Moscow Conference.

The conversations in Moscow between the representatives of China and the Soviet are still lacking in any concrete results. Despatches state that the main topic under discussion is the management and administration of the C.E.R.

While there is absolutely no news to verify the suspicion, there are those in Peiping and elsewhere who believe that other matters than the C.E.R. are being discussed and that among them is a plan for Russian co-operation against Japan. This a rumor pure and simple, yet would seem to be

plausible when the length of the conference is taken into consideration, the meagre reports of the agenda, and the mounting Chinese fear of Japanese aggression in Manchuria.

Gunboats on the Sungari.

On August 20, Russian gunboats accompanied by bombing planes, appeared near Sanchiang-k'ou, the confluence of the Amur and Sungari Rivers, and fired on several Chinese cargo vessels near Lahususu. Reports ascribe their sudden appearance to:

1. Act of the Harbin Chamber of Commerce in refusing to permit further dumping of Russian goods, which during the last few months has amounted to over $23,000,000.

2. Transport of merchandise in Chinese bottoms to Vladivostok via the Sungari and on the Amur rather than by the C.E.R.

3. Demonstration against the jailing of several Russian employees of the C.E.R. accused by the Chinese of communist activities.

4. Effort at intimidation in connection with the Moscow Conference.

Whatever may be the true reason for their appearance, these ships are anchored some 18 miles up the Sungari and are making no haste to depart.

It would seem as though the Russian diplomacy in its dealing with China in 1929 had met with such success that it was about to be employed again, although perhaps on a very small scale.

It is a fact that the Russian understands the Chinese better than does his closer relative the Japanese. He can get more out of him, and all without antagonizing him to any great extent.

Madame Sun Yat-sen's Return.

The wife of China's most famous revolutionist returned to Shanghai on August 13th to attend the funeral ceremonies for her Mother.

Madame Sun Yat-sen is Sun Fo's step-mother, and T. V. Soong's, Madame Chiang Kai-shek's and Madame H.H. Kung's elder sister. She therefore occupies a peculiar and strong position vis-a-vis the leaders of the Nanking Government.

Stern, unbending, she gave but one interview in which she said that she would not meddle in the Canton question and would take no part in Chinese internal affairs until the social programme of her dead husband was put into effect. Stating that a revolution without social changes was not a revolution but merely a change of government, she thereby repudiated Nanking and cast in her lot definitely with those unpopular few still clinging to the communistic planks in Sun Yat-sen's platform.

Coup in Kansu.

On the night of August 27, a coup d'etat took place in Lanchow, the capital of Kansu. General Ma Hung-pin, newly appointed Chairman of the Provincial Government, was seized and made prisoner by General Ma Wen-chu.

General Ma Fu-hsiang (most everyone in Kansu is named Ma) who is Chairman of the Board of Mongolian and Tibetan Affairs and acts as an adviser to Nanking on the marches of the Northwest, stated that Ma Wen-chu staged his rebellion in connection with Shih Yu-san's revolt, which he did not know had failed. He further said that no Chinese-Mohammedan ill feeling was being manifested, although reports from the Chairman of Shensi state that Ma Wen-chu is attempting to fan the ancient racial hatred.

Chiang Kai-shek has telegraphed General Ma Wen-chu ordering Chairman Ma Hung-pin's release and restoration to office. It is not expected that Generalissimo Chiang's telegram will carry much weight in far distant Kansu.

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COMMENTS ON CURRENT EVENTS

September 3 - 29, 1931

RECEIVED G/2 W. D. OCT 28 1931

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1. General.

In an attempt to regain ascendancy in Japan, which seems doomed to failure, the Japanese military clique caused southern Manchuria to be occupied, the movement commencing near Mukden during the night of September 18. Thereby an attempt was made to involve the Japanese Government and to obtain redress for injustices suffered at China's hands. The situation created is delicate, affecting not only China and Japan but Russia and world markets. And when markets are affected other nations thousands of miles away become intensely interested.

China evinces her customary lassitude and so far is content to wait for help from the so called friendly powers which a week ago were the hated imperialistic nations. In the early hours of the 19th, W. H. Donald, adviser to Marshal Chang Hsueh-liang, called various legations and his friends, both Chinese and foreign, to tell them of the "invasion". A Chinese friend came to the 'phone, heard of Japan's action and asked, "What will the legations do"? — not, "What will we do"? China thus saddles the world powers with her difficulties one minute, while the minute before she has disregarded their rights and mocked their treaties. And the nations of the world, choosing between China over-run by Japan and autonomous China, the bad boy, must choose the latter.

The flood situation is less acute, but with the falling waters plague and epidemics play havoc with the weakened populace.

From Manchuria reports of the formation of a Japanese puppet government persist and in Kirin a government has already been formed. From the Barga region in Mongolia come similar rumors. That Japan is taking more than an academic interest in these movements is patent, although there are many elements in Manchuria which though not pro-Japanese are distinctly anti-Chang Hsueh-liang.

2. Japanese Occupation of Manchuria.

The story of the occupation of Manchuria is now a matter of universal knowledge. At about 10:15 o'clock on the night of September 18, an explosion was heard near the North Camp, north of Mukden. This explosion was followed by the rattling of small arms and later shells began to drop in the North Camp, which contains a part of the Trench Mortar Arsenal, and in the main arsenal itself. North Camp, Mukden, and by morning practically all the strategic points in South and Central Manchuria, had been invested or occupied by Japanese troops. Changchun fell soon afterward and Kirin met a like fate on the 21st. Japanese troops were

pushed up the Szepingkai-Taonan Railroad to Tungliao and an armored train was sent on to Taonan. The Chien-tao region, important because it borders the Korean terminus of the much disputed Tumhua-Kanei Railroad, was occupied, most probably from Korea. A battalion of Japanese infantry occupied Tumhua.

The events followed each other with such lightning like rapidity that China was paralysed. Manchurian troops put up very little resistance and except for skirmishes at North Camp, around Mukden, near the Fushun coal mines, and for some half-hearted resistance at Changchun where heavy artillery was brought into play, obeyed the orders of Marshal Chang Hsueh-liang and did not fight. The details of the military occupation form the basis of Situation Report No. 8114.

Apparently this action by the Japanese had its germination in two distinct sets of conditions. In the first place, the Washington and London conferences so clipped the wings of the Japanese military clique that it was felt that something had to be done to bring it back into power. From this aspect the move may be disassociated in a great extent from the Japanese Government. It is very doubtful if the government per se was a confidant of the military, since the occupation was for the purpose of again putting the military clique in power probably at the expense of the present regime.

In the second place, the act was occasioned by the Chinese attitude toward Japan's just claims and acquired privileges. It is impossible to find any excuse for China on this score. Most foreign claims are ignored and an attempt is constantly being made to do away with all foreign rights and privileges. Japan has been the biggest sufferer. There are some 300 to 500 claims which have never been settled to the satisfaction of Japan. The murder of Nakamura while more infuriating to the military is but one of these. Japan thinks as much of face as does China—and China is constantly insulting Japanese sensibilities and treading on her toes. From this standpoint probably the majority of foreigners living in China sympathize with the Japanese action, although all would not condone the manner in which it was brought about.

The military clique then hoped to be able to gain popularity and power by exploiting the known ill feeling of the Japanese populace over these outstanding claims. They hoped and may still hope to occupy Manchuria until such a time as all claims are settled and such conditions are brought about that the possibilities of fresh cases will be remote.

The Japanese allege that on the night of the 18th at about 10:15 o'clock and immediately after a patrol had passed over a section of the South Manchuria Railway tracks north of Mukden and just south of the North Camp, that this section of the line was blown up by Chinese troops. They claim that this patrol saw men in Chinese uniforms running from the scene after the explosion. They state that a company of Japanese railway guards barracked just north of North Camp which came immediately to the scene was fired upon by about 300 Chinese troops who had taken position in a kaoliang field near North Camp, and that this company was rapidly reinforced and then realizing that "an offensive is the best defensive" they attacked the North Camp and later Mukden.

Lieutenant C. C. Brown of the United States Marine Corps, who was shown the scene of the explosion by Japanese officers, reports that the kaoliang field in question is not trampled and shows no signs of having been fought over, and that an 18-inch segment of rail which, badly twisted, was shown him as proof of the explosion, was rusted and did not appear to

have been in service for some time. The time element in the Japanese story is interesting to check. The battalion which appeared to reinforce the Japanese guard company, according to Japanese reports, arrived on the scene at 3:30 a.m. on the 19th, although this battalion was not the nearest to the scene of the explosion and at 3:30 a.m., according to a picture in the semi-official Manchuria Daily News, ammunition was being loaded on a train at Dairen.

In spite of the fact that Japanese troops are well trained, well disciplined and most certainly on the alert, it is unbelievable that the occupation could have been carried out as rapidly and thoroughly as it was without previous preparation and planning.

On September 4, Reuter reported from Tokyo, "Militarists of Japan Prepare to Strike at China". On September 6, Marshal Chang Hsueh-liang sent an order to his troops in Manchuria forbidding armed resistance in the event of trouble. On September 7, an army plane dropped pamphlets over Osaka urging intervention in Manchuria. Several days before the 18th, Manchurian headquarters here received word that Japanese artillery was being moved toward Mukden. Because of these facts one is forced to believe that Japanese troops acted upon a plan drawn up well in advance, and that either the S.M.R. tracks were not blown up or that the Japanese blew them up themselves.

3. Possibilities in Manchurian Situation.

If the Japanese had sent an ultimatum to China demanding the settlement of the Nakamura case and other cases within a certain time, stating that Japanese troops would occupy Manchuria in case these demands were not met, and had then sent troops, the world probably would not have objected. China has sorely tried world patience these past years, and foreign powers would have sympathized with Japan's action. Great Britain has her Thorburn case and is stated by an authoritative source to have been considering a show of force in Chinese waters. The United States, France, and all other powers have witnessed their treaties being disregarded and their rights being trampled upon. China needed a spanking.

But the Japanese have chosen the worst way imaginable to press their claims. No warning, the use of artillery when small arms would have sufficed, the machine-gunning of a refugee train, show that the Japanese military mind is unbalanced. No attention was paid to world psychology, and while from a military point of view the occupation was a tribute to Japanese genius, it is no longer possible to divorce military action from political expediency. Japan has given China another opportunity to win world sympathy.

While it seems likely that world opinion expressed through the League of Nations and the Kellogg Pact will stay Japan's hand, it is not unfruitful to consider the possibilities if this opinion does not come to China's aid or if it is impotent in so doing.

China is now under the control of Western minded men. They have seen attempts at a monarchy fail, at a republic come to naught, and are not hopeful of the Soviet model at Nanking. They are more or less familiar with the tenets of socialism and of communism. It is possible that getting no aid from the League of Nations or through the Kellogg Pact, both well advertised implements of Western civilization, that they will turn to Russia. Certainly eyes are turned that way now. Students and teachers are advocating a Russian alliance, and members of the leftist group are busily agitating among the masses.

The students demand war, and many otherwise sane minded persons are of the opinion that while defeat would be certain the loss would be counter-balanced by the "saving of face". "Face" is after all mere pride and when a nation's pride is gone, when a hated invader occupies its shores, drastic action is necessary. So think many Chinese.

To the world a Japanized Manchuria would be another Korea - a place practically closed to outside commerce - a lost market. And after all is said the nations of the world are primarily interested in markets - places where their goods can be sold so that their own inhabitants can live. There is no yellow peril but there is a Japanese peril. With Japan secure in Manchuria and then in China, the Far East would be under Nipponese direction.

It is to our advantage to recognize that China can not be a peril for the reason that there is something lacking in the Chinese brain or at least, make up. Chinese can neither think rightly nor logically. Chinese can not organize, cooperate or systematize. Right and logical thinking, organization, systemization and cooperation are essential in this century to growth and to power. Lacking them China can not be a peril. Therefore it seems that recognizing this fact China should be helped at every turn and Japan hindered in her desire to become master of Asia. Again it is a question of markets, and while there is an ethical side to the question it happens to favor the Chinese.

There are many foreigners who not without reason have become incensed at the Chinese and are not willing to keep on helping them. The Chinaman is a dirty little boy, playing nasty tricks and has no sense of gratitude. Yet our well being demands that we protect him from Japanese aggression.

4. <u>New Governments in China</u>?

Some six months ago, Mr. Pu Yi of Tientsin, sometimes called the Boy Emperor, was approached on two different occasions by officers of the Japanese General Staff with a proposition. The Japanese wanted to resuscitate the Manchu dynasty and place it on the throne in Manchuria. Mr. Pu Yi, according to Chinese reports, was frightened and refused Japanese importunities. However, for the past week rumors of Japanese attempts to separate intra-mural from extra-mural China have been rife. Chang Tsung-chang, once famous Shantung bandit-warlord and husband of forty wives, and Prince Kung, now resident of Dairen, were both said to have been selected as heads of the new government. Where there is so much smoke there is bound to be some fire.

On the 26th, Tokyo reported that bodies of Mongols from the Barga district and Manchurians from each of the Three Provinces had approached General Honjo, Japanese Commander-in-Chief in Manchuria, for assistance in a separationist movement. Tokyo added that General Minami, Japanese War Minister, had cabled Honjo forbidding any Japanese assistance to such nefarious schemes less "misunderstandings should be caused abroad".

The press now reports that a government has already been formed in Kirin and that a certain Yuan Chin-kai is to head a Manchurian government at either Mukden or Chinchow. Other reports are that Harbin has been selected as Manchuria's new capital. In Harbin about 40% of all real estate is owned by Japanese.

It of course would be to Japan's advantage to have a mandate in Manchuria, and when we consider the twenty-one demands and remember years of Japanese intrigue throughout China, General Minami's orders to General Honjo become delicious.

Puppet governments have served all the great powers as pretexts for the extension of their control, and it is difficult to see how in this case the pot can call the kettle black. Certainly it is a logical move and one for which there is a great deal of precedent.

What Russian reaction will be depends upon what Russia considers her strength. In 1926, in Peking, Karakhan had a map of Manchuria on which were red crosses showing places at which Japanese gun emplacements were then being built. He said that in 1930 this work would all be completed and that in 1931 Japan would seize the Chinese Eastern Railway. Upon being asked what Russia would do, he replied, "Nothing——a war with Japan would mean the mobilization of our entire army and that would mean revolution", Now the five-year plan intervenes, and Russian interference in Japan's plans, so long as they are not too far reaching, is doubtful. However, a Bargan protectorate carries Japanese influence to Russia's portals!

5. Canton and Nanking.

On September 14, the Liang-kwang armies started to withdraw from Hunan and by the 18th, the movement was completed. It is reported that the reasons for this withdrawal were two. In the first place, the government's 14th Division had crossed the Fukien-Kwangtung border, although in no force, and threatened the invader's rear; and in the second, government defenses along the Hengchow-Paoking line were much stronger than spies had reported—spies who had led Cantonese leaders to think no obstacle existed whereas in reality Chiang Kai-shek had been constructing an elaborate defense system for at least two months.

On the 18th, China's newest humiliation day, the invasion of Hunan had ceased and all Southern troops had crossed the frontier. On the 19th, Nanking telegraphed to Canton reporting the Manchurian episode and urging Canton to bury the hatchet and work in harmony against the invader. Wu Tieh-ch'en, who is in charge of negotiations, told me that Canton's reply was to make more and stronger demands than ever!

Chang Chi, another of the peacemakers, has reached Canton, and it is expected that peace will soon be forthcoming. Nanking has evidently seen some of its mistakes, and Hu Han-min is now being urged to join the government. Kuo Min (official news agency) reports that the disgruntled leaders of the South are being urged to accept government posts, and it is rumored that Chiang Kai-shek will resign as Chairman of the National Government and remain as head of the military arm alone.

That all is not peaceful in Nanking was shown on September 28th when a mob of students, incensed over the reported "hands off" policy of the League of Nations, attacked C. T. Wang at the Foreign Office and injured him severely. On the 29th, a wire was received in Peiping stating that Wang had resigned, that his resignation had been accepted and that Alfred Sze, now in Geneva, had been appointed Minister of Foreign Affairs in his stead.

So C. T. Wang who, with T. V. Soong and Chiang Kai-shek, has occupied Nanking's limelight, is repudiated. Die-hards have chuckled over his predicament and fail to recognize what he has done for the country. The Southern forces marching north cried "Down with Imperialism". C. T. Wang, as a practical politician realizing that a battle cry was necessary,

changed the wording to "Down with Unequal Treaties". The people did not see the difference and Canton was left with "Down with Chiang Kai-shek" as its only shibboleth.

C. T., as he is commonly called, had no recourse left but to cry "Down with Unequal Treaties" and has done more toward their abolition in the tenure of his office than had been done in the last fifty years. Results were expected from Nanking and it proved that the only results possible of attainment were improvements in foreign relations. That C. T. should be blamed for the League's action is sardonic.

Canton and Nanking will in all likelihood soon be pulling together as Nanking is now in an abject mood and willing to make real compromises. The united front which may be presented to Japan will at least be more imposing.

6. The Yangtze Valley Floods.

The streets of Hankow and other cities affected by the great floods have been slowly emerging from the yellow waters of the Yangtze. The rickshaw has made its appearance again and sampans have become fewer and fewer. Foreign concessions in Hankow are now practically free of water although the streets of the native city are still partially covered.

The National Famine Relief Association has raised approximately three million dollars and arrangements have been completed for 450,000 tons of American wheat. The public's response to the cries of the needy has been remarkably prompt.

It is estimated that the great river will not return to its original banks before winter. At present epidemics are rife affecting a population weakened by hunger and unnerved by disaster. Cold weather will be a blessing this year.

7. Miscellaneous.

Conditions in Shansi. With Shang Chen's departure and Yen Hsi-shan's arrival, Shansi bank notes took another drop so that now paper dollars are worth but ten cents. Eighteen bus lines have been forced to suspend business and the depression extends to all other lines of industry. Hsu Yung-chang, the new governor, is reported to have raised a loan of $600,000, but this amount can redeem but a small portion of the paper currency.

With the province filled with troops clamoring for pay in silver, with a bankrupt treasury, with little or no credit, Shansi faces a bad winter. Hsu Yung-chang is not as acceptable to Nanking as was Shang Chen, so no help can be expected from that quarter even though it was available. It seems likely that the really desperate financial crisis may lead to political upheavals.

Eurasian Pilots Released. The two German pilots, Koelber and Ratje, who were shot down on July 2nd while flying their mail plane from Peiping to Manchuli, arrived in Peiping on September 16, having been released by the Mongolians the week before.

On July 2, as they were flying at an altitude of 200 meters over that corner of Mongolia which protrudes into China just south of Manchuli, they were fired upon by about 200 Mongolian soldiers. Koelber received serious injuries in his leg, and while Ratje escaped with less serious wounds, the fliers decided that Koelber's condition was too serious to continue the flight. They landed and were made prisoners by the Mongols,

being subsequently taken to Zambesi where Koelber's leg was amputated. When nearly fit to travel the fliers were taken to Urga, three days by automobile, where they were tried for espionage and sentenced to ten years in prison.

Their release was brought about through the intervention of the Soviet, and the fliers state that the Mongols were not unkind, although to a European the diet of mutton, milk and cheese was not appetizing and the prison conditions not inviting.

The Mongol authorities have appropriated the Junkers mail plane.

The Young Marshal. Marshal Chang Hsueh-liang left the P.U.M.C. on September 23, and is now residing at his palace in the West City. As a result of his illness he is slightly deaf in his left ear and weakened in his left leg. He left the hospital before the "cure" he was taking for the morphine habit had been completed and in his present condition is hardly strong enough to assume the heavy responsibilities incident to the Japanese occupation of his provinces.

One is bound to feel some sympathy for the emaciated young man who is always so courteous and so friendly. Not built by nature to carry the heavy burdens which have been his since early childhood, morphine, Japan and Russia have all added to his difficulties. In another garb he might have attained to some distinction and peace of mind, but the crown that he has had to wear has been too heavy for him. His retirement from public life seems imminent.

Japanese Troops in Manchuria. While the Japanese claim to have but 15,000 to 17,000 troops in Manchuria it is interesting to note that from 30,000 to 50,000 reservists live in the South Manchurian area, and it is known they have been used. A glance at the map will show the impossibility of occupying such an area with 17,000 troops. Chinese claim that 30,000 to 40,000 reservists are now in uniform, and while these figures are exaggerated it is believed that a large number have been called to the colors.

In connection with General Minami's contention that by treaty fifteen soldiers are allowed to each kilometre of the railway, Article I of Additional Articles to the Russo-Japanese Treaty of Portsmouth of 1905 is quoted below:

> "The High Contracting Parties reserve to themselves the right to maintain guards to protect their respective railway lines in Manchuria. The number of such guards shall not exceed fifteen per kilometre and within that maximum number, commanders of Japanese and Russian armies shall by common accord fix the number of such guards to be employed as small as possible having in view actual requirements."

The Chinese Government has never recognized the Additional Articles.

Article II of the Additional Agreement to the Sino-Japanese Treaty of Peking, December 22, 1905, provides that "The Imperial Japanese Government, in the event of Russia agreeing to the withdrawal of her railway guards or in case other appropriate measures are agreed between China and Russia, consent to take similar steps accordingly". Russian troops have long been withdrawn.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

September 30—October 13, 1931

1. General.
2. China versus Japan.
3. Japan versus the World.
4. Independence Movements.
5. The North and South.
6. Miscellaneous.

RECEIVED G/2 W. D. NOV 11 1931

1. General.

Japan and China are on the verge of a momentous decision——a decision which when reached may have world-wide repercussions. Many a war has been fought because of slighter disagreements than those which have arisen between these two Asiatic powers. China has not been guiltless, - Japan is not without reproach.

Japan can overrun China as rapidly as Manchuria. She can conquer China as readily as she conquered Korea. China's army of two and one quarter millions would wither before a very much smaller Japanese punitive expedition. But Japan does not desire Chinese territory, and only wants her own way in Manchuria.

The mob in China is the most excitable in the world, also the most fiendish. How long governmental agencies can hold it in check is a moot question, and should it get out of hand and should Japanese nationals be murdered, trouble is assured in China proper.

The boycott, which by the Chinese is considered an act of peace, is taken by the Japanese as closely approaching an act of war. Already the losses suffered by Japanese commerce are figured in millions and the merchants in Osaka are saying that a naval bombardment would cause them no greater concern.

It seems possible for the world to isolate the Manchurian and the Chinese questions, and thus bring peace. Their confusion it is believed would be a grave error.

The flood along the Yangtze is receding more rapidly than was expected and this region will regain its position of importance sooner than was thought.

The North and South, through envoys sent to Canton and to Nanking, are reported to be about to reach an understanding. One hundred troop trains are being assembled at Hankow apparently for the purpose of transporting the bulk of the government troops in Kiangsi and Hunan to the Laoyang-Chengchow-Kaifeng area. These troops are the flower of Chiang Kai-shek's army and their concentration along the Lung-Hai seems to mean that the government will surrender the capital to Japan in case she strikes, and seek safety with its armies in the interior. The withdrawal of the governmental archives to Shanghai and report has it to Kaifeng as well, also portends a possible movement of the capital.

With the exception of minor troop movements in Manchuria, the Japanese occupy much the same positions they did the last of last month. Chinchow, where an attempt is being made to set up Chang Hsueh-liang's government, has been bombed, as has a troop train at Tahushan. The Japanese have indicated that they will not tolerate the Young Marshal or his troops in Manchuria.

The mine has been set, the fuse laid, and if the world does not care to hear the explosion it must either turn the other way with fingers in ears or take immediate action.

2. China versus Japan.

Since our last Comments, Japan has announced her position vis-a-vis Manchuria but her designs in China are still open to conjecture. Giving Yoshizawa in Geneva the lie, the Japanese General Staff first told military attaches in Tokyo that there was no likelihood of immediate withdrawal in Manchuria but the possibility of further action to restore peace. Later the same announcement was made in Geneva. Then came the bombing of Chinchow, followed more recently by another attack on a troop train by Japanese aviators in Tahushan on the 13th.

Pamphlets dropped from planes, General Honjo's proclamations, Japanese actions, all show that the Japanese plan is to break down Chang Hsueh-liang's power and that of his army north of the wall. There can be no doubting this, and if we accept it as a fact we need not look for a rapid withdrawal in Manchuria.

There will of course be a withdrawal. Even the Japanese military caste can not contemplate the annexation of the Three Eastern Provinces. The ultimate withdrawal will be based on several accomplishments and the protests of the League will not have great affect. In the first place, a government must be set up which must look for military support to Japan. A strong government backed by a potent army will not be tolerated. This government will be probably nothing more than a civil administration. Then, Japanese subjects must be reasonably safe in life and property. This means a campaign to suppress the roving bands of "gypsy" soldiers who are now preying on Chinese, Japanese and Koreans alike. And then, it is thought that all the "outstanding questions" must be settled. In general these questions concern railways, duties, and rights of residence throughout Manchuria.

Manchuria in the past few years has been paralleling the South Manchuria Railway and has plans to surround it with competing lines. The losses to the South Manchuria Railway Company during this period have been enormous, and have been aggravated by the exchange situation under which S.M.R. tariffs were in gold and the Chinese in depreciated silver currency. The Chinese roads have been content to operate at a loss as long as the S.M.R. suffered. Then there is the question of the completion of the Tunhua-Kainei road. The Japanese have had building materials at the eastern side of the break for two years, but China has not allowed construction. Parenthetically it should be added that there are persistent reports from Chinese sources that the construction is now under way.

With such a large Japanese and Korean population in Manchuria, Japan wants Chinese tariffs revised, and also desires the right of residence, of lease and of purchase of land throughout Manchuria. A great many of the Northern Chinese think these demands should have been met long ago.

It is of course platitudinous to dwell upon Japan's peculiar interest in Manchuria. The Three Eastern Provinces are essential to the economic welfare of Japan, and Japan would resent an attempt to curtail her powers there as much as she would in one of her own islands.

Japan's attitude toward China proper is of vast importance. The observer can not but think that Japan is now the victim of her own Frankenstein. No longer is there a definite policy governing her movements or is she moving towards a well considered goal. As she moves she implicates herself until her commitments make further aggressions necessary.

Probably she thought she would have to remain in Manchuria but a short time; now she realizes that she can not withdraw for an indefinite period. She considered that her Manchurian stroke could be restricted to Manchuria, but now finds herself involved with the inertia of China.

Japan does not care to seize territory but in protecting her nationals she may find it necessary to land troops in China. The Chinese will not understand the difference.

Local Japanese authority states that Japan will not make war because of the boycott but that if her nationals are harmed she must protect them. The boycott inflames her nationals, making them more liable to attack, infuriates her merchant class, making it amenable to the arguments of the military, and hastens the debacle along its inevitable path. Once Japan lands troops and occupies ports, actions toward which her commitments are driving her, she will have so far involved herself that withdrawal will be next to impossible without further commitments---a vicious circle. In case this affair traverses the path which logic seems to have ordained for it, Japan will find herself in the position of all prior conquerors of China. She may conquer but she loses herself in the accomplishment.

While no text of the bellicose reply China is reported to have sent Japan is available locally, in which she threatens war unless Japanese troops evacuate by a certain date and the League does not come to her aid, these sentiments reflect the present Chinese feeling. While the uneducated believe that China's army is superior to that of Japan, the intelligentsia feel that while inferior, by a long drawn out geurilla type of combat China can sap Japanese strength, and while winning no victories, cause the collapse of Japan's might. Thus China may conquer in defeat. This opinion is widespread and while the Chinese Government may advocate force, it is felt by competent observers here that such utterances are political in nature. The government may well feel that China's case is brought more forcibly to world attention in such a manner.

To summarize, Japan is so far involved in Manchuria that she can not withdraw, and the signs point to a similar condition coming about in China proper. Such an eventuality would in the long run ruin the aggressor.

3. <u>Japan versus the World.</u>

There is impending in England a general election. In the world at large an economic depression greater than any for the past twenty years has crippled every nation. Russia is engrossed with her five-year plan, and bends every effort to its fulfilment. The League of Nations, lacking among its membership two of the greatest powers, the United States and Russia, beholds her strongest Asiatic member running amuck. Japan has seized the psychological moment.

The League of Nations and the Kellogg Pact, evolved through centuries of war by a civilization which boasts of its emancipation from the predatory instincts of its ancestors, have met the crucial test. Western civilization has in reality only these two monuments to its progress, and western civilization is being weighed in a balance held in Asiatic hands. As the League and the Kellogg signatories fail or succeed in the present crisis, western civilization succeeds in maintaining its hold or fails completely in Asia.

The League by drastic action may lose Japan as a member. Is the League prepared to take this risk? Japan has not failed to make note of Russia's success although an outlaw, and does not believe League membership to be essential to her existence.

Japan does not feel that the League is capable of interpreting her position in Manchuria. China is basing her all, although sceptically, on the League and the United States.

Russia, according to officials in Nanking, has offered China an alliance. This is not believed to be true. Perhaps Russia has offered her moral support, but Russia does not seem to be in a position to give more. Russia, it is believed, will remain an onlooker to all intents and purposes so long as Japan does not threaten her integrity. But Russian ideas are ready to fill the space left by western ideas should the League and the United States fail and western civilization be repudiated. This is of more importance than the threat of active Russian aid.

It is not believed that even the strongest of notes, without any teeth, from the United States and/or from the League will have any appreciable effect upon Japan. Japan feels her position is misunderstood, feels that her interests do not necessarily lie in League membership and that she might well resign. If the great powers threatened a boycott Japan would listen, otherwise it is feared she will continue toward what she regards as her destiny.

Outside interference in Manchuria will not be tolerated, and the Japanese are right in thinking that their position there is not understood. A careless confusion of the Manchurian and the Chinese questions in the western mind will lead to trouble. It is possible to divorce them (in the Japanese mind they are divorced already), and in approaching them separately arrive at settlements which will satisfy western civilization, Japan and most of China.

4. Independence Movements.

From Manchuria and Mongolia continue to arrive reports of various attempts at independence. It would seem from the widely scattered districts which are reported as desiring to throw off allegiance to the Young Marshal, that an attempt is being made to decentralize Manchurian authority. Whether this effort is being made with the idea of a future consolidation or whether it is a sign of Japanese failure to get men big enough to form a central administration is not known. The Japanese have consolidated their military position very securely, but the political situation remains in a state of flux.

The Mongol Princes and the Young Mongol Party, while not pro-Japanese are distinctly anti-Chinese. They see that extinction awaits them not so much at the hands of the soldier but at the snail-like, patient encroachment of the ubiquitious peasant. The Chinese peasant, plodding, patient, tireless, uncomplaining, content with little when he can have but little but demanding all when it can be taken, is far more terrifying to the Mongol than is the Chinese Army. What chance has the care free, child-like Mongol against the most perfect economic animal in the world? And so the Mongols see now a rare opportunity to shake off the Chinese yoke. Already they have driven the Chinese settlers from the area comprising the Taonan-Solun Colonization Project, and are only deterred from revolting en masse by the consideration of punishment at China's hands when Japanese troops have been withdrawn.

Yuan Chin-kai has been warned by the Young Marshal to take no further interest in politics or in the Manchurian Independence Movement, and has announced that he will not be a tool in Japanese hands. Henry Pu Yi, in Tientsin, against the importunities of the majority of Manchus

in this area at least, continues to resist the Japanese wish to place him at the head of another Ching Dynasty in Manchuria. Prince Kung, formerly resident in Dairen but now reported in Mukden, is thought to be another Japanese favorite for overlordship. Chang Hsueh-cheng, a cousin of the Young Marshal and late Shih Yu-san leader, is also reported to be in Mukden and interested in independence. While information available indicates that the movement for Manchurian and Mongolian independence is still in a nebulous state, sudden crystallization is possible, and it is more than probable that plans are nearer completion than we are aware.

It would seem that the Japanese are wasting a deal more time than is necessary over this comparatively simple matter, but they are probably having difficulty in finding leaders both satisfactory to the Chinese in general and to Japan in particular. Further developments in Manchuria are expected at any moment.

5. The North and South.

There is very little of a definite nature to report concerning the attempt being made to bring Nanking and Canton together. Reports are plenty but are mostly contradictory.

On September 28th the Nanking delegates, Chen Ming-shu, Tsai Yuan-pei and Chang Chi, arrived in Hongkong. They met the Canton delegates, Wang Ching-wei, Sun Fo and Li Wen-fan, the same day and evidently some progress was made. Reports from our consulate at Canton indicate that suspicion of Chiang Kai-shek is still harbored in Canton. Newspaper reports state that Wang Ching-wei has announced in no uncertain tones that T. V. Soong is a grafter and must be forced from the government.

Final pourparlers will be held shortly at either Shanghai or Nanking, as the Nanking delegates have already returned and the Southerners are expected shortly. Hu Han-min is expected to be released before this meeting.

It is generally believed that a compromise will be effected whereby Canton will assume a larger share in government and Chiang Kai-shek will lose some of his power. It is likely that the Generalissimo will retain control of the army but will resign as head of the executive branch of the government. Hu Han-min or Tang Shao-yi may succeed to this position.

The 18th Route Army has already started to move from Kiangsi to the Nanking-Shanghai area and it is reported that Chen Ming-shu, its commander, will be in control of this important zone.

6. Miscellaneous.

Mongolian Independence. As set forth more fully in Report No. 8118, the Mongols are restive and are planning to seize this opportunity to rebel against Chinese domination and to set up an Independent Government in Inner Mongolia. Intrigue with this end in view is being carried on with the Japanese even though eight Mongol Princes are here in Peiping in conference with the Young Marshal on matters pertaining to the Japanese invasion.

As these Comments are being written this delegation of princes has received word that the Panchan Lama has escaped from Chinese surveillance at a point about 100 miles west of Hailar. They attach the utmost importance to this event since if he declares for independence at this

time, Mongolia will be behind him, and the movement will take on the nature of a Holy War.

It will be remembered that the Panchan Lama has recently been a visitor both in Nanking and Peiping. The Chinese Government has been attempting to use him as a tool to control the Young Mongols but so far has been unsuccessful. He himself is not interested in politics except as necessity demands and wants only to return to Tibet.

Attack on Chinchow? Latest advices from the officials of the Peiping-Mukden Railway are to the effect that the Japanese are holding rolling stock at Mukden and have indicated the possibility of an attack on Chinchow. This move would seem to be in accordance with General Honjo's announced policy, and necessary if marauding Chinese soldiers are to be eradicated.

Two Kirin Governments. In addition to the government set up by the Japanese at Kirin City, Chang Tso-hsiang has announced the removal of the Kirin Government to Harbin. Mr. Fu Chung has been appointed Acting Chairman at the latter city.

Martial Law in Canton. Following the shooting of two students by the police during an anti-Japanese demonstration in Canton on October 10, martial law has been proclaimed and Chen Chi-tang's garrison reinforced. The Canton Students' Union has issued a manifesto denouncing the Cantonese Government and has demanded the execution of the responsible police, stating that a general strike will be called unless this demand is met. The police in reply have threatened to strike if their number is not held inviolate for acts committed in line of duty.

Bandit Outrages Grow in Manchuria. A virtual chaos reigns in the hinterland of Manchuria where bands of ex-soldiers and bandits seize the opportunity for loot and murder. Official Japanese sources state that 269 cases of murdered Koreans have already been investigated and that 120 cases await investigation.

There have been several attacks by bandit groups on the trains of the Peiping-Mukden Railway south of the zone under Japanese control. In the last attack on October 12th some 34 rifles and 9800 rounds of ammunition were taken from the railway guards, who were protecting the train, while passengers were robbed of all their belongings.

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No. 8122

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Forwarded.

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Lieutenant-Colonel, Field Artillery
Military Attache

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COMMENTS ON CURRENT EVENTS

October 14 - 28, 1931.

1. General.
2. Situation in Manchuria.
3. Canton and Nanking.
4. Miscellaneous.

RECEIVED G/2 W. D. NOV 25 1931

1. General.

The relations between China and Japan are strained to the breaking point. China definitely refuses to treat with Japan until her troops are withdrawn to the South Manchuria Railway area and has submitted her case for solution by the League of Nations. Japan on the other hand insists on direct negotiations with China for a settlement without interference of a third party, and has stated no date will be set for the withdrawal of her troops.

The Japanese Army is in complete control of South Manchuria. The population and Manchurian armed forces have been rendered non-resistant. Strategic positions have been occupied and consolidated. The Chinese railroads have been taken over and civil administration within the occupied area is being carried on under military supervision. It is not believed the Japanese will further extend their sphere of occupation unless forced to do so by unforeseen action on the part of the Chinese. Military operations will be limited to policing the occupied area and suppression of bandit activities, while encouragement and support will be lent toward the establishment of an independent Manchuria.

The Young Marshal remains in Peiping and continues his policy of passive resistance. Cut off from his base of supplies and his financial income greatly reduced, his army will have to depend in large measure on Nanking for support. The Young Marshal, who before the Japanese invasion held the balance of power in China, has been reduced to a pathetic figure and is looking to the League of Nations to restore his position in Manchuria. I do not believe he has much faith in Nanking.

There has been much publicity given in the papers covering the deliberations of the League Council over the Sino-Japanese problem. The general opinion here appears to be that Japan will not withdraw her troops until negotiations with China are terminated. This decision will no doubt be influenced by the anti-Japanese boycott now rapidly spreading to all parts of China and the attitude of the National Government which is making no effort to suppress it. The only action taken by the government has been to warn the people that in carrying out the boycott, attacks on Japanese or foreigners will not be permitted and those responsible will be punished.

Delegates representing the opposition government in Canton arrived at Shanghai on October 21. Wang Ching-wei, who headed the delegation, stated they had come to Shanghai to discuss peace and unity of action with the Nanking Government. Apparently the action of Japan in Manchuria has reacted to the advantage of the Canton crowd in that Chiang Kai-shek, being deprived of his strength in the North, saw the handwriting on the wall and immediately approached the Canton Government asking that a conference of delegates be held in Shanghai to discuss peace and unification.

The flood waters of the Yangtze Valley are slowly receding but no returns from cultivation can be expected before next spring. There is a large population of refugees who will have to receive assistance or the coming winter will reap a harvest of death from starvation and disease.

2. Situation in Manchuria.

The progress of events in South Manchuria during the past two weeks, e.g., the consolidation of strategic positions, taking over control of Chinese railroads and military supervision of civil administration in the occupied area, would indicate that the Japanese Army is preparing to settle down to a long occupation of watchful waiting, and that negotiation with China is to be carried on under the pressure of Japanese military occupation. From this position of advantage Japan will present her claims and will not withdraw her troops until China has submitted to all her demands. There is no alternative because the longer Japan remains in occupation the more difficult it will be to get her out. Chinese diplomatic procedure is notorious for its procrastination, an example being the present Moscow Conference. The Chinese delegates have been in Moscow over a year and nothing has been accomplished. Similarly, the Japanese have tried in vain to meet with Chinese delegates to settle railroad differences, dates for meetings would be set and at the last minute the Chinese delegates would find some excuse for non-attendance. I am not so sure that Japan will not welcome delay in the present situation. Delay will play into the hands of Japan in her efforts to create an independent Manchuria. At present the Provincial Governments of Liaoning and Kirin are being administered by Chinese under Japanese supervision and it is evident from the bombing of Chinchow, where the Liaoning Provincial Government had been established after having been driven from Mukden, that the Japanese do not desire the formation of any government at or outside Mukden which is not approved and controlled by them. In addition, General Chang Hai-peng of Taonan was furnished arms and ammunition and encouraged to move on Tsitsihar and make himself ruler of an independent Heilungkiang Province. Thus the Japanese, having governors in Kirin and Heilungkiang favorable to them, could force Liaoning Province to join an independent Manchuria. However, the expedition to Tsitsihar failed and has fallen back on Taonan. It is not believed the Japanese will support a further effort in this direction at present for fear of antagonizing the Soviet.

3. Canton and Nanking.

The national crisis facing China as a result of Japanese military activities in South Manchuria has been the means of bringing together the disaffected factions of the government at a peace conference with a view to burying past differences and presenting a united front to Japan. The release of Hu Han-min and his public appearance in Shanghai made a favorable impression on leaders of the opposition government who accepted the invitation of Chiang Kai-shek to send delegates to Shanghai to discuss with delegates from Nanking ways and means of getting together.

On October 21st the Canton delegates, headed by Wang Ching-wei, arrived in Shanghai where informal meetings have been held with Hu Han-min and representatives from the Nanking Government. General Chiang flew to Shanghai on October 23, where he met the Canton delegates and after a conference of several hours unexpectedly left for Nanking. The Canton delegates are no doubt armed with demands that will have to be accepted by Chiang Kai-shek as a basis for discussion. They do not trust Chiang and have resisted his efforts to persuade them to proceed to Nanking. They will not place themselves in his power until assured of their personal safety. Present indications are that the conference will meet in Shanghai. Reports

are current that Chiang has expressed his willingness to resign his political offices, turning over the administrative responsibilities to Wang Ching-wei and Hu Han-min, and that he will retain command of the army until the present crisis has passed when he will abide by the decision of the elder members of the Party.

It will be interesting to follow the procedure of the peace conference, which will be dominated by the three strong men, i.e., Chiang, Hu and Wang. Will the two latter forgive Chiang his past treatment of them - one driven into exile, the other dismissed from his public offices and kept in restraint for eight months? The power and prestige of Chiang has suffered as a result of the elimination of the Young Marshal from Manchuria. There is much speculation among observers as to whether or not he will be able to weather the present storm.

4. Miscellaneous.

Evacuation of Japanese. Japanese nationals are carrying out a general evacuation from most of the interior provinces. Reports tell of Japanese leaving Yunnan, Chengtu and Chungking in Szechuan, Lanchow in Kansu, Sian in Shensi, and other points where protection by Japanese gunboats does not exist. The Chinese authorities have exercised remarkable control over the population as no reports have been received of attacks on Japanese by the Chinese.

Propaganda. Tokyo and other official sources in Manchuria and China are very active in distributing printed circulars and typewritten sheets laying great stress on the justice of Japanese activities in Manchuria and condemning the anti-Japanese movement in China. At the same time they report Soviet Army activities along the northern boundary to the effect that the Soviet Army is being increased, that Soviet assistance is being rendered the Chinese military forces along the C.E.R. by furnishing arms, ammunition and military instructors. It is not understood why the Japanese are disseminating this sort of propaganda.

Feng and Yen. Information has come out of Shansi to the effect that Marshals Yen Hsi-shan and Feng Yu-hsiang have sent delegates to the Young Marshal offering their services and indicating a willingness to take up work in connection with national defense.

The Institute of Pacific Relations. After weeks of uncertainty as to whether the Manchurian dispute might not make the institution's biennial convention impossible, the Institute of Pacific Relations, which was scheduled to meet at Hangchow, opened its sessions in Shanghai on October 21st and will continue until November 4th. In spite of strained relations between Japan and China representatives of the two countries are in attendance.

Compulsory Military Service: In spite of the national crisis, the Legislative Yuan has found time to draw up a resolution providing for compulsory military service. The adoption of this law will only give official recognition to the present method of shanghaing coolies, farmers and others when recruits are needed to fill up a depleted unit.

Red Activities. There have been no reports of communist movements in Kiangsi for weeks. Unconfirmed reports have been received to the effect that Red leaders in this area have agreed to a sort of armistice with the government during the period of strained relations with Japan. General Ho Chien, Chairman of Hunan, reports conditions in his province quiet with the exception of some bandit activities in the northeast which he is rapidly suppressing. It is difficult to understand this situation and the continued silence is regarded as ominous by observers here.

Foreign Observers to Manchuria. The British Minister telephoned the following to the Legation this morning (the 29th):

While in Nanking, General Chiang Kai-shek asked if England, America and France would be willing to send observers to Manchuria before November 16th to witness evacuation of Japanese troops to the South Manchuria Railway area. Sir Miles told Chiang that he would communicate his request to London. He said a reply had been received authorizing him to send two observers if occasion warranted. In his opinion there would be no occasion as he did not believe there would be an evacuation on or before that date. He requested the Legation to inform our Minister, who is in Nanking, of the reply received from London.

In conclusion, the situation in China is one of great uncertainty. The country is faced with a national crisis requiring decisions of great moment. Will the leaders of the peace conference find a remedy for China's ills?

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COMMENTS ON CURRENT EVENTS

October 29 - November 11, 1931

1. General.
2. Situation in Manchuria.
3. Inside the Wall.
4. Tientsin Riots.
5. Peace Conference.
6. Japanese Arrogance.
7. The People's Army.
8. Foreign Ministers to Nanking.

1. General.

The situation in Manchuria is daily becoming more serious. There is no indication that the Japanese intend to withdraw their armed forces inside the South Manchuria Railway area by November 16. On the contrary, they are extending the area of occupation as evidenced by the occupation of Tungliaochen, Taonan, and the movement toward Angangchi on the Chinese Eastern Railway under pretense of repairing a bridge over the Nonni River, destroyed by Heilungkiang troops, as a result of which there has been a clash and a withdrawal of Chinese troops to the north.

The approach of Japanese armed forces to the C.E.R. in the vicinity of Tsitsihar is regarded with apprehension by observers here as a possible threat to friendly relations with the Soviet, particularly following the sending of a sharp note by Tokyo to Moscow charging the Soviets with rendering assistance to the Chinese along the C.E.R. The Chinese Government remains firm in its refusal to negotiate with Japan until withdrawal of troops is effected and is looking hopefully to the League of Nations to take the necessary action on November 16th for a settlement of the present crisis.

There are indications that Nanking is organizing the necessary machinery to treat with Japan as evidenced by the appointment of a commission headed by Wellington Koo to take over the evacuated areas if and when Japanese troops are withdrawn.

On the night of November 8-9, rioting broke out in the Chinese city in Tientsin. Firing continued until 7:00 a.m. on the 9th, in which Japanese troops became involved. It is not known who is responsible for the disturbances but it is believed there are important influences behind the movement.

The peace conference with delegates from the opposition government in Canton and the government in Nanking are holding meetings in Shanghai with a view to settling their differences. Although the delegates from Canton arrived in Shanghai on October 21st, very little has been accomplished toward getting together. The bone of contention between the two governments is the question of the convocation of the 4th National Congress with which the final authority for making decisions concerning reform of government and party machinery rests. General Chiang's attitude toward the Cantonese proposals is beginning to stiffen. He says he will not resign his powers at this time as the country is facing a crisis and should not be left without a strong man at the helm. He says it is impossible for a mere handful of men deliberating at Shanghai to settle the grave problems confronting the country. He has again and again invited the Canton delegates to go to Nanking and participate in the affairs of government. Apparently these delegates still fear Chiang and refuse to go to Nanking. Difference of opinion between Hu Han-min and Wang Ching-wei is said to be responsible for delay in reaching an understanding.

The critical situation in Manchuria has attracted public attention and problems of national importance before the Japanese invasion such as Red activities, flood conditions in the Yangtze Valley, and the opposition government at Canton, are receiving little consideration in view of the national crisis.

Reliable reports from all parts of China indicate that the anti-Japanese boycott continues effective and that Japanese mills and other industries are being rendered inactive, attended by huge financial losses (see Report No. 8137).

2. Situation in Manchuria.

The Japanese continue to consolidate their political and military positions in Manchuria. There is no evidence that a withdrawal of troops is even anticipated. Japan has definitely announced that she will not withdraw from her present position until China is prepared to meet the Japanese demands embodied in the official statement issued on October 26, 1931. As China has been firm in her refusal to negotiate directly with Japan until her troops had been withdrawn to the South Manchuria Railway area, the Japanese have proceeded with consolidating their positions and extending the area of occupation to include Tungliao-Taonan and have sent a military force up the Taonan-Angangchi Railway to repair the bridge over the Nonni River, south of Angangchi, under pretense of opening up the line to facilitate the movement of the bean crop. General Ma Chan-shan, Acting Chairman of Heilungkiang, was occupying a defensive position on the north bank of the river against a possible advance of the rebel General, Chang Hai-peng (supported by the Japanese), on Tsitsihar, the provincial capital.

The Japanese commander issued instructions to Generals Ma and Chang to withdraw their forces ten kilometers from either side of the river until repairs to the bridge were completed. Failure to comply with these orders on the part of General Ma resulted in a clash and the bringing up of Japanese reinforcements from Taonan. On November 6, General Ma was forced back to his second line of defense near Tahsing, and the Japanese, having established a bridge-head, have started repairs to the bridge. The Japanese movement in this area is believed to have for its objective the occupation of Tsitsihar by General Chang Hai-peng, who will establish a government in Heilungkiang favorable to Japan thus advancing the prospects of an independent Manchuria. It will be interesting to observe the Soviet reaction in case Japanese troops occupy Angangchi and cross the C.E.R. to Tsitsihar.

The growing resistance of Chinese troops to Japanese movements in this area is said to be viewed with alarm by the Japanese commander and indications are that the Japanese forces in Manchuria are being increased, as night movement of troops is reported over the S.M.R.

Civil administration in the occupied area is still supervised by Japanese officials and all public utilities are being taken over, including electric light plants, municipal banks, telephones, etc. Reports are received that an effort is being made to set up an independent state in Manchuria before November 16.

In the meantime China continues her policy of non-resistance and is furnishing the League Council with evidence of continued violations of China's sovereignty by Japan. China has placed her faith in the League and fully expects that body to settle her differences with Japan.

3. Inside the Wall.

The Young Marshal continues his residence in Peiping surrounded by his bodyguards and evidently awaiting development of events favorable to his interests. He flew to Nanking on October 30th for a conference with Chiang Kai-shek and following his return to Peiping on November 1, a commission was appointed by the government to prepare plans for taking over the occupied area in the event the Japanese withdraw their troops.

This commission is headed by Wellington Koo; other members are General Chang Tso-hsiang, General Wu Tieh-cheng, Dr. Lo Wen-kan, Dr. Tang Erh-ho and Mr. Liu Chih, all nationally known figures and all familiar with conditions in Manchuria. This commission is to meet in Peiping. It will be organized into four divisions, i.e., political, military, diplomatic and communications. The importance of the personnel and organization leads one to believe that the government intends to utilize this commission to negotiate all differences with Japan at the opportune time.

4. Tientsin Riots.

Between eight and ten p.m. on November 8, plain-clothes men attempted to enter the Chinese city at a point near the Japanese Concession. Chinese police, who apparently had advance information of the attempt, made efforts to capture these men and fired on them. Firing continued during the night, much of it in the direction of the Japanese Concession, as a result of which two Japanese soldiers were killed and a Japanese woman wounded.

About four a.m., November 9, the Japanese commander called on General Wang Shu-chang, Provincial Chairman, to withdraw the police and other armed forces to a point 300 metres from the Japanese boundary by six a.m. This request was not complied with and the Japanese opened fire whereupon the Chinese police were withdrawn. Some firing continued during the day of the 9th, said to be by Chinese police in an effort to round up the plain-clothes men. Casualties among the Chinese are not known. The Chinese say the trouble was caused by Japanese arming these men with a view to attacking the Provincial Government Headquarters.

The police are reported to have the situation in hand and all is quiet, although further trouble is looked for. It is reported that the Japanese are moving their women and children from the Concession by boat to Japan.

Charges and counter-charges are being made by Chinese and Japanese authorities as to the responsibility for the disturbance and all sorts of rumors are flying about to the effect that the attempt was made to overthrow the present Provincial Government and install the old Anfu Party, with Tuan Chi-jui, ex-president, at the head. Also, it is rumored that similar demonstrations are to be made against the Young Marshal in Peiping. As a result of these rumors tension among the Chinese has increased to the snapping point and many wealthy Chinese are asking foreigners to permit them to store valuables in their homes. The British Minister was approached by the officials in charge of the treasures in the museums in the Forbidden City with a request that they be permitted to transfer the most valuable articles to the British Legation. No action was taken by the British Minister.

5. The Peace Conference.

The question to decide on the time and place of meeting of the 4th National Congress and the personnel who would attend seems to have been settled by the delegates, who have reached an agreement to hold separate congresses. The Cantonese will meet in Canton on November 15, and the congress in Nanking will convene as originally scheduled on November 12.

The delegates of these two governments have been holding formal and informal sessions in Shanghai since October 21, and after three weeks have to admit to the country that a satisfactory settlement of differences cannot be arrived at and realization of a unified national government is not in sight. The delegates of the two governments are returning to their respective capitals to hold their own congresses to adopt resolutions, elect delegates who will assemble in Nanking where a joint congress will meet to discuss resolutions adopted by the two congresses and endeavor to reach an understanding whereby the two governments can become reunited. To carry out a program as indicated above will take time and there are no assurances that each government will accept the other's resolutions in joint congress. It begins to look as though the two governments are as far apart as they were before the Canton delegates arrived in Shanghai on October 21. The public is beginning to be fed up on the delayed action of getting together and delegations of important business men have called on the delegates urging immediate settlement of differences. Important educational bodies have gone on hunger strikes as a protest to the delay of the governments to establish national unity.

6. Japanese Arrogance.

The Japanese attitude toward world opinion is demonstrated by the following:

(1) Voting alone against the Council of the League resolution.

(2) Delivery on October 30th of a sharp note to the Moscow Government by the Japanese Ambassador, accompanied by a warning that if the Soviets rendered assistance to Chinese troops along the C.E.R. Japan would be compelled to extend her area of conflict. This note brought a prompt and complete denial from the Moscow Government that any assistance was being rendered and that Russia was observing anything other than strict neutrality in the present disturbance in Manchuria.

(3) Japanese public opinion became hostile to the British because of a report that Britain was trying to bargain with China at Japan's expense, and which mentioned a secret agreement that China would protect and guarantee British economic interests in the Yangtze Valley in return for Britain's support at Geneva; the fact that the terms of settlement of the Thorburn case are being kept secret; and that a secret agreement had been arrived at on the question of extra-territoriality. The British Ambassador at Tokyo has presented a note verbale to the Japanese Government denying the charges.

7. The People's Army.

There are material evidences of a spirit of resistance developing among the Chinese to foreign aggression. This spirit of resistance is manifesting itself in the organization of what is called The People's Army and is spreading to most of the large cities. On November 2, 2,000 members of the National Salvation Army assembled in Shanghai and took a solemn oath as follows: "I will not hesitate to plunge in to any danger in my Anti-Japanese and National Salvation duty". The Anti-Japanese and National Salvation Association is the society which is largely responsible for pressing the anti-Japanese boycott in all parts of China. Efforts have been made by the leaders to persuade the government to issue firearms to them for drill purposes without success.

8. **Foreign Ministers to Nanking.**

Ministers of the important legations in China are heading for Nanking to be present at the seat of government on November 16th when the League Council meets. Included among those who will be present are the British, French, German and American ministers.

In conclusion, it is difficult to conceive of a more complicated situation, involving so many problems, than that now confronting the Government at Nanking. Will Chiang Kai-shek be able to bring order out of the present confusion?

Nelson E. Margetts
Lieutenant-Colonel, Field Artillery
Military Attache

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COMMENTS ON CURRENT EVENTS

November 12 - 25, 1931

1. North Manchuria
2. Mukden
3. North China
4. Attacks by Plain-clothes Men
5. Central China
6. Canton
7. Kansu
8. Communist-Bandits.

RECEIVED G/2 W. D. DEC 22 1931

1. North Manchuria.

The capture of Tsitsihar by Japanese troops on November 18th is the outstanding news of the period covered by this report. Ma Chan-shan, after repeatedly refusing Japanese ultimata to retire from Heilungkiang, was finally forced to move out when the Japanese 2nd Division attacked him. Ma's left flank was rolled in and caused his troops to make a general retirement from their lines north of the Nonni River. Reports of the engagement vary as to the severity of the fighting, but it is doubtful if the Chinese put up much resistance once the retirement started. The Chinese troops retreated north through Angangchi and Tsitsihar along the railway to Koshan. In the pursuit the Japanese force crossed the Chinese Eastern Railway at several points but no damages to the line or its communications were reported. Ma Chan-shan plans to leave the Tsitsihar-Koshan railway and go east by marching to Hailun, which is north of and within easy reach of Harbin by railway. At Hailun he will stop and reorganize. It is difficult to say at present just how many Chinese troops are still intact in North Heilungkiang. In the Nonni River battles the Chinese had available about 20,000 troops. The Japanese probably used most of the 2nd Division, about 7,000 troops of all arms. Their long line of communications along the Ssupingkai-Taonan Railway also required protection from roving Chinese troops and bandits and consequently used up a considerable number of troops. The Japanese official report states that their losses on the Nonni front were 150 killed and 300 wounded. Much suffering was also caused by the severe cold in the theater of operations. This report also estimates the Chinese losses to be between two and three thousand.

General Tamon, commanding the 2nd Japanese Division, has established his headquarters in Tsitsihar. He is pushing troops up toward Koshan to harass Ma's retreating columns. Tsitsihar is now reported quiet and missionaries who had evacuated before the battle are now returning to their duties.

Captain Tenney, who looked over the situation along the western end of the C.E.R., was in Angangchi on November 10th. He inspected the Chinese defense lines thoroughly and despite numerous Japanese reports, found no evidence of any Russian assistance being rendered to Ma Chan-shan's troops. Attention is invited to Captain Tenney's valuable report on this trip (No. 8147).

It is interesting to note that Chang Hai-peng's troops, who had been armed and equipped by the Japanese, did not participate in the attack on Ma Chan-shan. He seems to have fallen into disfavor with his allies. It is reported that Chang's son is in Peiping to intercede for his father, stating that only severe Japanese pressure caused him to advance against Ma in the first instance. Now he has had a change of heart and wishes to come back to the fold again.

From M/A, China Report No.8149 November 25, 1931

Ma Chan-shan has become a heroic figure in Chinese eyes. The Nanking Government has issued a mandate making Ma Governor of Heilungkiang. The Canton Government has gone even farther in promoting him to be commander-in-chief of the Northeastern defense forces in place of Chang Hsueh-liang. Funds are being gathered in many places in China to be presented to Ma and his gallant troops. It looked for a time as if he were really going to make a determined stand against the Japanese troops and his attitude seemed to stiffen the moral courage of all China. The Nanking Government and Chang Hsueh-liang were assailed from all sides with student delegations, petitions and telegrams urging that assistance be sent to Ma Chan-shan's heroic forces. He is the first Chinese commander to make a stand against the hated and feared Japanese troops and his action may well mark a turning point in the present struggle.

Reports from Harbin indicate that Chang Ching-hui, Chairman of Harbin Peace and Order Maintenance Committee, is being urged by Japanese interests to go to Tsitsihar and take over the reins of the Heilungkiang government. Chang is reported to be distinctly pro-Japanese, and has newly recruited about 2,000 police. Opposing him for local control is the present chief of police Wang, who has a force of several thousand well armed men. The local Kuomintang, headed by Commissioner of Education Chan and Commissioner Hau, is also opposed to Chang Ching-hui. This will likely end in a three cornered fight for the control of Harbin and give an opportunity for Japanese occupation.

2. Mukden.

The mixed brigade of the 8th Japanese Division arrived in Mukden on the 19th. In the meantime a considerable number of Japanese civilians were again called to the colors there to replace the troops sent to the Nonni River region. The Japanese concentration on the Taonan Railway practically denuded Mukden and vicinity. Troops from as far as Chuliho were pulled in for the concentration.

Air force detachments from Japan from the Fourth, Sixth and Seventh Air Regiments were also ordered to Manchuria on November 17th. The number of planes in each contingent is not known. So far their arrival has not been reported.

The Japanese desire to create a working provincial government in Mukden has met with little success so far. They have made repeated efforts to extend the authority of the Peace Maintenance Committee, headed by Yuan Chin-kai, so as to cover complete provincial administration. But despite pressure they are having considerable difficulty in getting able and responsible Chinese to meet their requirements. It is reported that Yuan Chin-kai has dropped out of sight for the last few days presumably as a result of Japanese pressure.

Henry Pu Yi, the young ex-emperor, who left Tientsin after the outbreak of the riots there on November 8th, is now reported to be at Dairen. It was strongly rumored that on November 15th he was to be proclaimed emperor of Manchuria. For some unknown reason, however, the restoration failed to materialize. The ex-emperor himself is stated to have declared that he would rather commit suicide than assume the throne under Japanese protection. He is however not believed to be very strong spiritually and quite likely to respond to coercive measures. Some foreigners are inclined to think that a restoration of the monarchy in Manchuria would meet with more favor from the Mongols and Manchus than any other effort to establish a separate government.

The propaganda smoke screen which usually presages a Japanese attack has been turned loose on the Chinese troops stationed at Chinchow. Japanese reports state that the Chinese troops there are being reinforced and that they constitute a serious menace to the South Manchuria Railway and the Japanese troops in Mukden. This office is certain that beyond the re-adjustment of the Fengtien forces immediately after September 18th, no Chinese troops have been sent north of the Great Wall. Fengtien troops in that area are distributed as follows: At Chinchow, the 12th and 19th Brigades; at Changwu, the 80th Brigades, at Shanchentze, 1 cavalry regiment and 2 infantry regiments; and west of Tungliao remnants of the 3rd Cavalry Brigade which has been repeatedly hammered by the Japanese. All told it is estimated that there are not more than 40,000 Fengtien troops north of the Wall.

That the Chinese Government is apprehensive of an attack on Chinchow is indicated by the request of T. V. Soong to the French, British and American Ministers to send observers there. Accordingly, Colonel Margetts and Colonel Badham-Thornhill, the British Military Attache, left for Chinchow on the 23rd, and the French Military Attache one day later. The news reports from Mukden and Chinchow indicate that such an attack is not at all unlikely soon. It also appears that since the League of Nations has shown its inability to curb Japanese military activity in Manchuria, General Honjo is more determined than ever to extend his occupation to cover all of Manchuria. In an interview with Reuters on November 16th he stated that chaotic conditions existed in Manchuria before September 18th, but that they had grown infinitely worse since then. Therefore it would be necessary for Japanese forces to stay in Manchuria until the situation had stabilized and an effective government established. He stated that he could not even roughly designate a date when he thought Japanese troops would evacuate.

3. North China.

Chang Hsueh-liang. The situation of the Young Marshal in this region is far from strong. While his troops, particularly in the vicinity of Peiping, are loyal, yet his increasing financial difficulties are bound to make many opportunities for factions opposed to him to gain a measure of ascendancy. The Tientsin disturbances and the attendant tension in this area has also served to undermine his standing. Troop pay is in arrears for at least two months and while all his troops are now equipped with winter clothing and seem to have a sufficient ration, it is difficult to say how long he can maintain the financial drain incident to keep his troops in bare necessities. He now has over 200,000 Fengtien troops still dependent on him for maintenance. Of these about 40,000 are north of the Great Wall and the remainder stationed from Shanhaikuan south along the Peking-Mukden Railway and the Tsin-Pu to Tsangchow; between Tientsin and Peiping; along the Peking-Suiyuan to Kalgan, and along the Peking-Hankow to Shihchiachuang. Shang Chen's troops at Shunteh also depend on him to some extent for their support.

Chang has lost considerable prestige in the eyes of the general population and mutterings against him can be heard from all sides. Attacks on him for his non-resistance policy are increasing daily. He is also being severely criticized for not coming to Ma Chan-shan's assistance during the Nonni River operations. His personal fortune, most of it with the National City Bank of New York, must still be considerable. It is apparently definite that he has ordered a new Ford transport plane. Such an expenditure at this time seems rash to say the least.

4. Attacks by Plain-clothes Troops.

The reasons for the recent disturbances in Tientsin caused by the so called plain-clothes troops are still obscure. There is no doubt, however, that the initial riots on November 8th were carried out with the knowledge and probable assistance of the Japanese garrison. There is ample proof that many of these men came out of the Japanese Concession. With conditions as

they are it would have been impossible for any gathering of this size to be carried out in the Japanese Concession without the full knowledge of the authorities.

The disturbances were mostly in the area between the Japanese Concession and the Chinese city. The Chinese authorities experienced difficulty in clearing up this area on account of a "300 metre neutral zone" which the Japanese insisted on being established outside their concession. After protracted negotiations which fell through several times, the Japanese and Chinese finally reached an agreement to permit the police of this zone. Things are now somewhat quieter. (See Lieutenant Wyman's report, No.8145, on this subject.)

While the casualties have been small, the disturbances served to paralyze all business in Tientsin for over a week and to produce a state of nervousness all over North China. In Peiping martial law was not actually declared, yet the effects of the stringent regulations as to travel after sundown were much more severe than the measures usually taken after an actual proclamation. There was a considerable amount of nervousness in the air, which is just now being allayed. A few arrests were made and scattered sand bag shelters were in evidence on some of the streets for a few days. In Tsinan, Tsingtao, Chefoo, and even as far south as Hankow, rumors were current that groups of plain-clothes men were to attempt disturbances similar to those in Tientsin. The precautions taken at those places by the local authorities also increased the tension and proved a hindrance to the conduct of business.

Also as a result of these disturbances, Han Fu-chu ordered the 87th Brigade from Tsinan to Tsimo, about 25 miles north of Tsingtao. Precautionary orders were also issued to the 81st Division in southeastern Shantung to take care of any untoward situation in the coastal towns in the South.

5. Central China.

The concentration of Chiang Kai-shek's troops in Honan is now complete. Chen Ming-shu has formally taken over command of the Shanghai-Nanking garrison.

Outstanding in the news of the week is Chiang Kai-shek's solemn declaration at a secret session of the 4th National Congress on November 19th that "he was proceeding to the North to carry out his duties and lay down his life for the Party and the State". Despite the "secrecy" of the meeting this decision of Chiang's was immediately published. Since then numerous reports have been published stating that he was leaving Nanking soon for the North, but no date has been set as yet. The presidential palace in the Nan Hai at Peiping has been prepared for his occupancy. The latest information, a circular telegram issued by Chiang Kai-shek on November 24th, announces the abolition of the Headquarters of the Commander-in-Chief and that he will take only a few important members of the headquarters with him to Peiping. Before leaving Nanking he will convene a military conference to cover the maintenance of peace and order along the Yangtze. Chiang has already telegraphed Peiping that Chen Ming-shu shall be responsible for the Nanking-Shanghai area, and Ho Cheng-chun for the Wuhan area. He also stated that all troops now stationed north of the Yangtze will participate in maintaining the situation in the North.

Undoubtedly Chiang was forced into this decision by increasing pressure of public opinion. Ma Chan-shan has proved to China that it is possible to make a stand against Japanese troops and his actions have been a tremendous booster to Chinese morale. The failure of the Shanghai Peace Conference to bring forth any united action by the Canton-Nanking factions has brought a storm of criticism from all sides. Student delegations from

Peiping, Nanking and Shanghai have been calling on important government officials and demanding action. Several of these delegations have declared hunger strikes until such time as their demands are met. Wu Pei-fu and Chang Fa-kuei have both publicly offered their services to lead an expedition to Manchuria.

The immediate result of Chiang's move north will be a bolstering up of the Young Marshal's position. Twice in the last two years Chang Hsueh-liang has thrown the weight of his influence on the side of Chiang when Chiang Kai-shek was in sore straits and it would be no more than just for the favor to be returned. Some quarters believe that Chiang has the ulterior motive of supplanting the Young Marshal in his position in the North. That, however, would be too great a betrayal even for a Chinese militarist.

Chiang Kai-shek's coming North and taking command of operations in the field is also a graceful way to meet the demands of the Canton clique that he resign from his executive posts. His prestige will be greatly enhanced if he meets even the slightest measure of success. Chiang has lost no opportunity to capitalize the publicity attendant upon the announcement of his stand. Daily telegrams are published giving in detail his preparations and changes of itinerary. Despite this great flood of publicity Chiang has not yet started from Nanking. One sometimes wonders if he is not hoping that someone will catch and hold him by the coat-tails before he goes up North and precipitates a war with Japan.

6. Canton.

With the imminent fall of Tsitsihar and the collapse of Chinese hope in League aid, the Canton Government had apparently decided to adjust its differences with Nanking. On November 18th the Central Executive Committee at Canton issued a circular telegram announcing the unification of the Party. The message states that definite measures for the solution of past complications have already been agreed upon at the Shanghai Peace Conference and that the forthcoming congress is in conformity with agreements reached at the Shanghai conference. The prospects of a rapprochement seemed brighter than at any time since the original break. Later reports, however, dated November 25, show that a complete split occurred at the second session of the fourth Canton congress. As a result Eugene Chen, Sun Fo and others have left Canton and are now at Macao. The reasons for the break-up were that the congress delegates repudiated the agreement reached in Shanghai on November 7th that all members of the first three terms of the Central Executive Committee be elected to the new C.E.C. They decided to elect candidates only in accordance with their merits. The delegates also insisted upon both the resignation and retirement of Chiang Kai-shek. Hu Han-min has left Shanghai for Hongkong to try and patch up the differences.

7. Kansu.

Wu Pei-fu arrived in Lanchow on November 12th to act as mediator in the dispute between Ma Hung-pen and Ma Lin on one side, and Lei Chung-tien on the other. So far he has met with little success. Ma Hung-pen's 7th Mohammedan Division and Ma Lin's 1st Cavalry Division are reported to be concentrating in the regions of Pingfan and Hsicheng preparatory to an advance on Lanchow.

8. Communist-Bandits.

News despatches from Nanking and Canton indicate that the communist-bandit menace is far from ended. With the withdrawal of the government forces from their bandit suppression campaign, the Reds have become increasingly active. There is a concentration massed in the vicinity of Juikiang,

Kiangsi, where recruiting on a large scale is going on, and numbers are reported close to the Kwangtung border. Bandits under Peng Te-huai have occupied Engtenghsieh, where they are being attacked by local government forces. North Kiangsu also reports numerous bandit depredations. The bandits in that region have made night travel in the Grand Canal Zone impossible.

William Mayer
Captain, Field Artillery (DOL)

No. 8149 1st Ind. PGT:elh

Office of the Military Attache, American Legation, Peiping, China - November 25, 1931 - To: The A. C. of S., G-2, War Department, Washington, D.C.

Forwarded and concurred in.

For and in the absence of the Military Attache:

Parker G. Tenney
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Assistant Military Attache

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COMMENTS ON CURRENT EVENTS

November 26 - December 8, 1931.

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1. General
2. The Japanese Situation
3. Student Demonstrations
4. Nanking and Canton
5. The Boycott
6. Miscellaneous:
   The Young Marshal
   New Minister of Foreign Affairs
   Kansu and Wu Pei-fu
   Red-Bandits
   Arms for Yunnan

1. General.

The gamut of Chinese passions has been run during the past fortnight. Fear, when it was known that a formidable force had entrained for an attack on Chinchow, hope when the force withdrew, apprehension when Tokyo indicated a fresh attack, and finally the apathy of despair which has followed the realization of China's plight.

It has finally been borne in on China that she must win or lose by herself. She has come to see that the well-meaning League of Nations can not win for her. The League's influence in the Greco-Bulgarian controversy prevented war because the countries concerned were evenly matched and the League's weight tipped the balance successfully. The preponderance of Japan makes the League's weight in the present case negligible.

The issue has been fairly joined, - either China must negotiate directly with Japan or she must face an attack on Chinchow. The latter event has grave possibilities.

While General Jung, in command of the thirty odd thousand troops at Chinchow, has been ordered to defend "as well as possible", his defeat and subsequent retreat within the Great Wall is inevitable. In this event trouble may be expected from the peripatetic students who are travelling between their institutions and Nanking in an attempt to force the government to withdraw from the League and to declare war. They are utterly undisciplined, blatantly chauvinistic, and may be depended upon to get the government into difficulties. An attack on Chinchow would lead to a difficult situation at Shanhaikuan where there is a Japanese detachment, and of course in Tientsin where the pot is still simmering.

The Chinese proverb, "A hundred men a hundred schemes", is most truly apropos of the Chinese people. There continues to be no common goal, no common aim. Each leader is still intent upon personal aggrandizement and finds cooperation with another impossible. Canton and Nanking have not yet been able to agree.

Red-banditry in the Han River Valley and in Kiangsi is stronger than it was a year ago. Unrest in Kansu continues and war again is being waged in that far distant province. Nanking and the Young Marshal are faced by rapidly emptying coffers, and soldiers' pay is months in arrears.

Though it will make no permanent difference, thinking Chinese are now regretting the series of unfriendly acts which have alienated even the affections of China's best friends. China is now hoist by her own petard.

2. The Japanese Situation.

Friday and Saturday, November 27th and 28th, looked black for China. Some 7,000 to 8,000 Japanese troops were on trains speeding towards Chinchow, while firing had again broken out in Tientsin. Preliminary skirmishes along the Peking-Mukden line had preceded this entrainment. Some three or four bridges were blown up, a Chinese armored train captured and a few Japanese and Chinese scouts wounded and killed.

Then for an unknown reason the Japanese troops, consisting in the main of the new 8th Brigade, were withdrawn. It may be that Tokyo issued orders on account of Secretary of State Stimson's statement; that Chang Hai-peng was threatening the long line of Japanese communications near Taonan; or that the Japanese thought the establishment of a neutral zone would save them the wastage of battle. From the evidence available it would seem that the first hypothesis is the correct one.

The neutral zone idea has never had much in its favor. After the Russo-Japanese war such a zone was established and rapidly filled with bandits. Both Russia and Japan regretted its establishment. In case Japan got her wishes, which include not only the withdrawal of Chinese troops but the removal of the Chinchow Provincial Government and Police privileges in the area, she would accede to the neutral zone idea with alacrity. But it seems too much for China to give. China says she will fight first.

In general the situation along the Peking-Mukden Railroad remains as it was at the time the last report was submitted. The Japanese have a consular guard of some 200 men in Hsinmintun and a battalion on the east bank of the Liao River. The 8th Mixed Brigade, which formed the nucleus of the force which started the attack on Chinchow, has been transferred to the Taonan-Tsitsihar area, probably because of the fact that it is a cold weather unit. Fulminations from Tokyo and from Mukden indicate that the attack on Chinchow may be resumed at any time.

In Tientsin the Japanese are demanding that the terms of the Boxer Protocol be carried out and have insisted that Chinese troops must be removed 20 li from the city. The Chinese have complied in so far as regular army troops are concerned. On the 28th and 29th of November firing again broke out, the Japanese claiming that shells were dropping in their concession. This point has not been proved but it is known that artillery was used by the Japanese in reply. The plain-clothes men who are supposed to be causing all of the trouble are of doubtful affiliation, but are believed by many Chinese here to be under Feng Yu-hsiang. It is evident that their machinations would be impossible without Japanese toleration at least. Since the 29th quiet has again prevailed in Tientsin, although some 450 Japanese reinforcements which arrived on December 2nd still remain.

Immediately after the last outbreak in Tientsin, Chairman Wang Shu-chang approached the foreign consuls in Tientsin with a plan to internationalize the police force. This plan was apparently also proposed by Aldred Sze to the League. Foreigners see in the scheme only the desire of the Chinese to implicate other nations in their quarrel, and marvel at the readiness with which those who have been mouthing about "imperialism" and "foreign intervention" change their song when "imperialism" and "foreign intervention" may help them.

In North Manchuria the situation is somewhat obscure. The Chinese press reports that Chang Hai-peng, seeing the error of his ways, has repented and is attacking the Japanese in the neighborhood of Taonan. At the same time however Japanese headquarters in Mukden report that all is quiet in the Taonan area. Since the Japanese plan is to exaggerate all disturbances in Manchuria, making it seem imperative for them to remain, it would seem that the report of Mukden headquarters was the most reliable.

The Tsitsihar garrison now consists of about 2500 men. General Hsu, formerly in command of Wan Fu-lin's bodyguard, and the front line commander who put up the initial resistance to the Japanese on the Nonni River, is reported to be moving on Tsitsihar with some 3,000 cavalry.

General Chang Ching-hui, who is regarded as friendly to Japan, has been appointed Chairman of Heilungchiang and has despatched a commission of eight to Tsitsihar to take control. It is doubtful as to whether he will attempt to take office so long as Ma Chan-shan commands so many troops and does not give assurance of support. The Japanese, it is reported, are endeavoring to obtain Ma's aid for their new government there. Clashes have been reported northwest of Tsitsihar between elements of Ma's command and the Japanese. So far as can be learned the Japanese have entrenched and adopted a defensive attitude in that sector.

It is interesting to note that the Japanese advance in Manchuria so far conforms almost exactly to the movement calculated in an Imperial Russian General Staff study which was made in 1911 of a possible war between Japan and Russia. A glance at the map shows that all centers of strategic importance vis-a-vis the U.S.S.R., except the Hingan Range and there are doubts about that, have now been occupied. Japan prepares for eventualities.

This office has from the beginning stated that the Japanese were not to be contented with anything short of the demilitarization of Manchuria and the formation of a government or governments friendly to Japan. No neutral zones which are really neutral will be tolerated. No interference from a third party will be permitted. If the great powers are prepared to turn over the economic control of Manchuria to Japan they undoubtedly know the cost. However, as was stated nine weeks ago, it is possible to divorce the Manchurian and the Chinese questions and to handle them separately. If the powers are prepared to let Japan have her own way in Manchruia does it follow that they feel the same about China? In another nine weeks the die will have been cast.

3. Student Demonstrations.

During the last week in November some thousands of Shanghai students commandeered trains and journeying to Nanking waited some twenty-four hours in a snowstorm for Chiang Kai-shek. He finally came and praising them for their courage urged that they return to their lessons. At one time 15,000 students from all over China were in Nanking urging war, urging the Generalissimo to lead his armies in person.

In Peiping trains were held up the 5th, 6th and 7th of December by students demanding free rides to Nanking. They laid on the tracks when an attempt was made to start the trains and at night they used the rails for pillows. Three to four thousand were in the station at one time, crying "down with Chang Hsueh-liang" and bearing banners urging war with Japan.

The impotence of the authorities has been a revelation. They have done absolutely nothing, saying that after all the students wanted to go to Nanking for patriotic motives and if they interfered they would be classed as traitors. Many thousands of dollars were lost by the railways before they capitulated. Now the students are en route to the capital.

On December 7th the Shanghai students sent an ultimatum to the government demanding:

(1) Opposition to Foreign Minister Wellington Koo and the establishment of neutral zones;
(2) That the government should make known a date for the mobilization of the national armies against the Japanese invasion; and
(3) The release of all students who have been arrested in Nanking.

In the event that no satisfactory reply is delivered within twenty-four hours the students declare that 30,000 strong they will march on the capital.

The known motives for all this agitation are curiously mixed. Undoubtedly many are attempting to evade examinations which are due at this time, while many are also actuated by patriotism. There have been few spontaneous student demonstrations in China and it seems as though this movement may have something sinister behind it. Many groups demand a Soviet alliance, and agitators have been heard at work among them.

The attitude of the authorities has been amazing to the foreigners here. They have done nothing. Of course all saddles are slippery in China now and they fear the student power, but in letting them have their own way now they are fostering trouble in the future.

A commandant of one of the legation guards here, when asked how he would meet such a situation, said "Use flit"!

4. Nanking and Canton.

Due to the efforts of Hu Han-min and C. C. Wu the dissenting members of the 4th Kuomintang congress meeting in Canton have returned to that city from Macao and Hongkong.

Hu's proposals that (1) the 120 members of the 1st, 2nd and 3rd Kuomintang Central Executive and Supervisory Committees be recognized, that (2) 24 members should be elected by Canton to the Kuomintang Central committees and (3) that with the exception of the communists all expelled party members shall be re-admitted into the Kuomintang, were accepted. The fourth proposal demanding the resignation of Chiang Kai-shek was evidently accepted also since the latest despatches from Canton state that the members elected there will not proceed to Nanking until General Chiang has retired and surrendered his military power.

On December 3rd the Southern delegates elected their twenty-four members to the various central committees.

5. The Boycott.

Reports from all over China indicate that the anti-Japanese boycott which is now in full progress is the most effective that the Chinese have yet started. Ten "don'ts" have been adopted by the National Salvation Association as follows:

1. Don't buy Japanese goods;
2. Don't sell Japanese goods;
3. Don't transport Japanese goods;
4. Don't use Japanese goods;
5. Don't take Japanese steamers;
6. Don't employ Japanese;
7. Don't be employed by Japanese;
8. Don't accept Japanese bank notes;
9. Don't deposit money in Japanese banks; and
10. Don't go to Japan for trade or study.

Certainly comprehensive enough!

The Japanese Commercial Attache expects the boycott to last another eighteen months and states that "not only is there no demand for futures but contracts already concluded are cancelled; outstanding money is not paid, while stocks are stored and disposal is prohibited". Whereas there were many

exceptions to the boycott rulings in the past, none are made now so that practically no Japanese goods are purchased and no Chinese goods sold to Japan. 120 Japanese controlled factories in the Shanghai area have closed down.

Up to the first of December some 4500 Japanese returned to Japan and not a few of those remaining are being supported by municipal charity organizations and by aid from consulates.

Japan feels that even with a war she would suffer no more.

6. MISCELLANEOUS

The Young Marshal.

Chang Hsueh-liang's position is becoming more and more untenable. There is a general feeling among the students of the whole of China and the people of North China that he is responsible for China's dilemma. The Southern faction has replaced him in office with Ma Chan-shan, while Nanking in answer to cries for his punishment points to his help in the Feng-Yen crisis. It is generally understood in intelligent Chinese circles that Chang's programme in Manchuria was not in the realm of practical politics. He had the Japanese there with all their much vaunted special interests and vested rights and it was his duty to get along with them as best he could. His programme looking to the expulsion of Japanese and their interests from his domain was too ambitious for his generation. Wise folk gather, not so secretly as of yore, and deplore Chang's assassination of Yang Yu-ting who, they aver, never would have sanctioned the acts which have led to this new loss of face. Students riding to Nanking at Chang Hsueh-liang's expense cry openly and stridently, "Down with Chang Hsueh-liang". Reports that he could not trust his troops to deal with the student agitators are prevalent, while rumors of mutiny find credence in well informed circles.

Only a miracle can save Chang Hsueh-liang, whose father twisted fate to his own design.

New Minister of Foreign Affairs.

Wellington Koo, who six months ago was a fugitive from justice, was appointed acting Minister of Foreign Affairs on November 30th, and on December 5th offered his resignation. It is believed that his resignation was made in order to obtain a vote of confidence from the government and since this was rapidly forthcoming, he has resumed office. The students in Nanking have been hectoring him as they did his predecessor and for six days made it impossible for him to take the oath of office. Chiang Kai-shek, at Koo's behest, has now placed Nanking under martial law and put it out-of-bounds for visiting students.

While of less personal charm and reliability than C. T. Wang, Koo is generally regarded as more clever and his appointment in an attempt to unite various interests to Nanking is generally viewed with approbation.

Kansu and Wu Pei-fu.

Kansu since the coup reported several months ago has been in the hands of General Lai Chung-tien. Now it is reported that Wu Pei-fu at Lanchow has gathered together some of his old followers, taken again the title of Marshal which was given him years ago by Tsao K'un, and is endeavoring to set up an independent government in the northwest. More recent despatches state that Lai Chung-tien's appointee, Acting Provincial Chairman Ma Wen-che,

has been placed in custody by the Peace Preservation Committee, while the Shensi army of Sun Hui-ju and Chairman Ma's Mohammedan soldiery are endeavoring to effect his rescue. Just what relation Wu Pei-fu and the Peace Preservation Committee have is not known.

Whenever the situation becomes tense in this country Wu Pei-fu's name, like a talisman, obtrudes itself on the public imagination. His glory and power departed, his name does not frighten bad militarists but does quicken the heart of the retired scholar.

Red-Bandits.

Mr. Todd, Red Cross engineer, has recently returned from a trip along the Yangtze and reports that communism and banditry are making steady progress, especially in Kiangsi. While Chiang Kai-shek brought all difficulties there to a close by mandate, very little was done to eradicate the underlying causes of unrest.

Fear is often expressed that China will adopt communism in case the League does not help her. As a matter of fact there has been practical anarchy in China for ten years and it is not believed that as far as foreign interests are concerned the adoption of communism would prove fatal. The mere adoption of yet another form of government would not change the status quo.

Arms for Yunnan.

The American Consul at Yunnanfu reports that in the middle of October, eighteen carloads of rifles and small arms ammunition were delivered by the railway at Yunnanfu to officers of the 10th Route Army. These munitions are all of French make and the sale thereof was negotiated in Hanoi. He states that "delivery over the French railway was permitted as a reward to the Yunnan Government for its prompt action in arresting and executing the eight Chinese who made a recent attempt upon the life of the local manager of the Banque de l'Indo-Chine".

A sad contrast indeed to the procrastination and evasion in punishing the murderers of Mrs. White and Mrs. Miller who, it will be remembered, were killed while asleep on the night of March 15, 1931.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

December 9 - 22, 1931.

1. General.
2. The Change at Nanking.
3. The Sino-Japanese Controversy.
4. Regional Government?
5. French Interests.
6. Is Japan Overextending?
7. Miscellaneous.

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1. General.

The new wine has again been too strong for the old bottles, and a change of government at Nanking has eventuated because the country which for a thousand years had been governed by the loose reins of an experienced emperor could not bear the spurs of a dictator. The new government at Nanking, heralded by student outbursts which finally brought 80,000 undisciplined boys and girls to Nanking, will be weaker than the old. This fact, however, is in line with actualities and may result in a loose federation for which type of government China is singularly fitted.

The students have done their worst, and now for the most part are returning to their lessons. They wrecked the Foreign Office in Nanking, smashed windows all over China, and went so far as to inflict mortal injuries. The Young Marshal thinks that Feng Yu-hsiang is back of the disturbances in this area, though it is thought by others that they have considerable communistic direction.

The Young Marshal, wholly dependent now on Chiang Kai-shek, has resigned as Vice-Commander of the Army, Navy and Air Forces of China and has been appointed Pacification Commissioner of Manchuria, Hopeh, Jehol and Chahar. He has appointed a Political Commission to take over the affairs of his district, and has intimated that he will leave for abroad at the first opportunity. Since Manchuria can no longer be considered his domain, his title is hollow.

The Japanese have spent the period under review in consolidating their position in Manchuria and have made no new aggressions. A campaign with a view to freeing the area under their control from bandits is now under way. In all likelihood the Japanese movement on Chinchow will await the completion of this campaign since bandits on either flank of a Japanese attack in that direction might spell its failure.

2. The Change at Nanking.

Using the lever given them by the Japanese invasion of Manchuria the Cantonese have forced Chiang Kai-shek to resign as Chairman of the National Government and as President of the Executive Yuan. His resignation was formally accepted on December 15th, on which date Lin Sen was made Acting Chairman of the Government and Chen Ming-shu the acting head of the Executive Yuan. The Presidents of the Examination, Control and Legislative Yuans, Messrs. Tai Chi-tao, Yu Yu-jen and Shao Yuan-chung, respectively, have continued in power.

The first Plenary Session of the Central Kuomintang Committees, in other words, the Executive and Supervisory Committees, opened in Nanking on December 22nd with 80 out of 160 members present. At this session new officers will be elected to the National Government and various programmes for the future will be drawn.

Prominently mentioned for President of the Government are Tang Shao-yi, Wang Ching-wei and Lin Sen. It is believed that Lin Sen will probably be continued in office since Tang Shao-yi has angered Nanking by his attacks, Wang prefers his position behind the scenes, and Lin Sen is more easily led than either. It has been reported that Chiang Kai-shek was offered a re-election but refused the doubtful honor.

From the pronouncements of the Canton delegates no startling changes will be made either in the form or the programme of the government. One of the main purposes of the session is reported to be the convocation of a National Salvation Conference. At this conference it is proposed to gain fuller cooperation with the people in measures necessary to meet the Japanese threat, and to take steps looking to the early formation of a constitutional government, and therefore the termination of the Period of Political Tutelage.

Both of these ideas emanate from the famous Wang Ching-wei, who mentioned them in Peiping in 1929 and has insisted on them ever since. The National Salvation Conference idea has of course been tried in the National People's Congresses which, packed with friends of the government, served to make the chasm between government and people wider with every session. Perhaps delegates for this new congress will be chosen less carefully, but our many years in China make us sceptical.

The duration of the Period of Political Tutelage has been a moot question. Proposed in the first place by Sun Yat-sen, it was supposed to provide for the education of the people to the point where an educated electorate would be in existence. This purpose has of course not been carried out, and with China's illiteracy would take several generations. Wang Ching-wei, however, sees the menace in this vague period, for so long as the Kuomintang refuses to admit that a capable electorate has been formed so long can the Kuomintang appoint and carry on the functions of government. With the Kuomintang still in power, in spite of the wishes of the visionary Wang, the actual surrender of government is still in the nebulous future.

The present session, when its members arrive and get down to work, will probably make a paper reorganization of the army and attempt to delimit military and civil powers. It was announced recently that a law would be passed making it impossible for one man to hold both civil and military office. This law was passed, although it seems to have been forgotten, two years ago. Perhaps passing it again, like rewinding a clock, will have some effect, but we doubt it. So long as the military remain the most powerful the civilian is going to be subservient to them.

The reorganization which is contemplated of the army, and which will be proposed at the present session, provides for (1) an army of not more than 50 divisions, (2) that the division shall be the unit of the army, (3) that national defense committees shall be established at important centers, (4) that provinces may establish Peace Preservation Corps in addition to existing police forces, (5) that a patrolling corps shall be established in each district (this is vague), (6), that the national army shall be paid by the national treasury while provinces shall look after provincial troops, (7) that the country shall be rid of bandits, and (8) that the system of conscription shall be adopted.

This bill if put through will make but one change in the status quo, namely, that the government will be responsible for the pay of 500,000 troops only. It legalises the provincial armies without limiting them, and but recognizes existing conditions.

Chiang Kai-shek attended the first meeting of the Plenary Session but left for his native town, Fenghua, immediately after the meeting. He will probably rest and recuperate and as the Chinese say, spend some time in "sweeping the graves of his ancestors".

On the 21st, T. V. Soong resigned. His resignation was expected and his successor is probably to be Sun Fo, who will bring practically none of Soong's abilities to his post. T. V. Soong's loss is the most serious that the government has to face.

For Foreign Minister the choice lies between C. C. Wu and Eugene Chen, with C. C. Wu as the favorite. It is believed that Eugene Chen's recent visit to Tokyo has left him in such bad odor that his appointment would be unacceptable to China as a whole.

The resignation of other members of the government is momentarily expected.

China, therefore, is back where she was in 1928, but is surrendering the advantage of the good men she had then for the mediocre ones she is appointing now. In some ways she is back where she was in 1928, but in general it must be admitted she is in a more precarious position. To all the troubles of internal disunity has been added the Japanese controversy, and to the ardor of initiation has been added the dregs of failure.

While Chiang Kai-shek is to be commended for resigning, his successor is really the one to be admired. Whoever he may be he at least must have courage and many times will be in need of sympathy.

3. <u>The Sino-Japanese Controversy</u>.

With the exception of the deliberations of the League of Nations, which are too well known to comment upon, there is very little to report in the present situation. When the League disbanded on the 16th of December and provided for a commission to report on conditions in Manchuria it left China high and dry, and all Chinese know it.

In Mukden the Peace Preservation Committee has announced that the name of the province is to be Fengtien again, and on December 16th, Tsang Shih-yi, who has been a prisoner since September 18th, was appointed governor of the province. The ardor of the imperialists who wished to place Pu Yi on the throne has evidently abated, leaving the Boy Emperor to cool his heels in Dairen.

On the 21st an anti-bandit drive was commenced by the Japanese in the neighborhood of Mukden and Hsinmin. It seems to this office that a Japanese offensive against Chinchow at the present time is extremely unlikely. It is realized that general opinion is to the contrary, but it is thought that the combination of heavy snowfalls and banditry will delay Japanese aggressions.

The attack on Chinchow must be made via the Peking-Mukden Railway and with bandits on its flanks, cutting the railroad and breaking its communications, the Japanese Army would have difficulties. Also the Japanese are too methodical to follow such a course. It is very likely that the present anti-bandit campaign is preliminary to an offensive, but we believe the bandits must be crushed before the advance commences. A very heavy snowfall has also made an attack difficult, and it is believed that the Japanese think attrition will set in if they make a further delay.

The Japanese garrison at Shanhaikuan has been increased to 400 and their position there strongly fortified. At Tientsin the garrison has also been strengthened and quiet is manifest throughout this section of intramural China.

The article in the China Critic was written by an O.D. Rasmussen, who states that a gigantic plan is afoot against Russia. He claims that his information comes from White Russian sources in Paris, and that the occupation of Manchuria is but preliminary to the general plan which is to be carried out in five stages as follows:

"1. Japan to force a military venture in Manchuria. China, known to be impotent to defend herself, was expected to place her case before the League of Nations. The issues to be confined ostensibly to Sino-Japanese treaty rights.

"2. M. Briand, for France, was to initiate sympathy for China to draw off attention from the next stages. The League was destined to go through the motion of 'warning' Japan to remove her armies, which Japan was stubbornly to refuse upon the bases of several claims (the resulting Five Points). Tactics at Geneva were to be of the dilatory sort, long adjournments, and such like, so that Japan could consolidate her position, her resources, and her armed preparations.

"3. Japanese troops were to push north to the C.E.R. and straddle the line between Harbin and Manchouli, for which purpose she had to arrange some sort of quarrel with the Chinese garrisons (the Nonni Bridge incident). Being astride the C.E.R. Japan was then to issue a gratuitous defiance to Soviet Russia, 'warning' Moscow not to send troops across the border. Straddling the line was to 'draw' Soviet Russia into an invasion of Manchuria to protect her rights, equal to Japanese in South Manchuria. Then Japan was to declare war on Soviet Russia and push across the frontier to Chita and Irkutsk.

"4. When, or if, Moscow took up the challenge and sent large military forces to Siberia (thus weakening her defenses on the Western front) Poland was to pick another quarrel with Moscow, force Russia into an act of war and thenmarch on Moscow.

"5. France by virtue of her treaties with Poland was to come to her aid, having made certain that Germany would permit passage of transports and war vessels through the Kiel Canal. Thus French and Polish armies would with the assistance of Japan in Siberia deliver a death blow to Soviet Russia. The 'Five-Year Plan' would be smashed in the bargain."

It is realized that the scheme as outlined above is not news, since the same alignment has been mentioned frequently, but this extract summarizes it in clear form. It is believed that some such plan may exist: Witness the desire on the part of the Japanese military to draw Russia into the present squabble and the statements made by Consul General Ohashi, reported in our No. 8147, which seem in some measure to bear it out.

Certainly White Russian organizations have plans along the same lines, and a certain organization for the establishment of an independent Siberia with headquarters in Paris has outlined such a scheme to this office. As Russia, however, continues to remain passive and aloof the dangers in the situation become minimized. However it is thought that Russian interference would be welcomed in many quarters, and it is a fact that the academic interest with which France has watched China's wars of the past has now given way to a feeling of grave concern.

6. <u>Is Japan Overextending?</u>

The opinion that the Japanese have bitten off more than they can chew is fairly prevalent. Her strong, virile, and aggressive citizens have clashed with the deadly passivity of China. A million Chinese may be killed to-day, but a million babies are born tomorrow. China holds a race of

gamblers who know how to lose and who gain victory from defeat. Is it not possible that the more territory Japan controls the further she will become involved until the spectacle of the tail shaking the dog will be enacted once more?

Japan's designs not only include most of Manchuria but also Mongolia. She hopes to exploit this great area in the modern fashion which will mean the expenditure of millions. In the last analysis the returns on her capital investment lie in the good will of her customer. The one item that she needs above all others, because Manchurian coal is not allowed to compete against the home product, is iron. Would she not be able to buy her iron much cheaper through mutual friendship with China?

If Japan's designs carry her further, and there are many who think they do, and she should find herself in control of parts of Siberia, her task becomes greater and her expenses mount. Japan is not a rich nation, nor has she been successful in colonization. It is impossible for us to draw up her balance sheet in Korea but it is generally understood that the sum in red figures is a large one. She has been met at every hand there with resistance which she has not been able to put down. The same situation holds good for Formosa. While the expenses of Japan's forces in Manchuria have not been prohibitive, the smallest increase makes a difference and further extension would mean more red figures.

Japan could obtain more than she will get out of Manchuria for a smaller expenditure.

7. Miscellaneous.

The Young Marshal. Chang Hsueh-liang has resigned as Assistant Warlord of China. Dependent as he is on Chiang Kai-shek, Chiang's discomfiture means also his. With the loss of Manchuria most of his reserves have disappeared, and while he is yet able to feed and clothe his troops they are not being paid.

Surrounded by a group of worthless sycophants among whom only W.H. Donald stands out as a man of merit, Chang has done his best. His mistakes have been made in the interests of China, and had he played the usual Chinese game he would still be in power.

Sun Fo announced but yesterday that those responsible for the loss of Manchuria would be punished. He of course referred to the Young Marshal, and the prospect of a man being punished for being a patriot is rather pathetic.

Yen and Feng. It is known that emissaries from both the Canton and Nanking groups have recently visited Shansi to confer with the Christian General and Marshal Yen Hsi-shan. Wang Ching-wei has a number of personal emissaries in Fenchow, where Feng abides, and as reported in 1929 a Feng-Wang combination would be at least logical.

Students of Taiyuan have demanded that both the old leaders resume their duties, and it is reported that a conference between them will be held shortly in Taiyuanfu. Students who have been on the rampage here in Peiping are believed by Chang Hsueh-liang at least to have Feng's backing, and as reported previously, the trouble in Tientsin has been laid at his door.

Feng in this day and age is rather an anachronism. Had he lived 150 years ago he would have dove-tailed with the aspirations of that time. But the people now are afraid of his simple, downright formulae. Honest and

capable, he still has many followers, and the name Feng Yu-hsiang is one still to conjure with.

It seems likely that both Feng and Yen will emerge during the present troubles and each may be expected to play his old part. Marshal Yen will vacillate, will temporize, will not act until too late and then only when sure that the dice are loaded. Not a national figure. Feng on the other hand has potentialities which have not as yet been sounded.

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COMMENTS ON CURRENT EVENTS

December 23, 1931 - January 5, 1932

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1. General.
2. The New Government.
3. Manchuria.
4. Feng Yu-hsiang.
5. The Future.
6. Extraterritoriality.
7. Miscellaneous.

1. General.

Chiang Kai-shek's policy of control by force has met with a reverse and the Generalissimo has withdrawn in the belief that his successors will so muddle public affairs that he soon will be called upon to take up his old duties. Power is a drug which makes slaves of its devotees and Chiang can not for long abstain from his habitual dosage. Before leaving for his native village he appointed Ku Chu-tung to the governorship of Kiangsu, Chu Shao-liang to the governorship of Kiangsi, removed the air force piecemeal to Peiping, Chekiang, Kiangsi and Honan, and arranged the settings for his triumphant re-entry. Before his departure he also evolved a Nine Province Alliance consisting of Hunan, Honan, Shensi, Kansu, Anhwei, Hupeh, Kiangsi, Kiangsu and Chekiang, which together hold practically all the military strength in China.

The Nanking Government is practically bankrupt. With the Chinese New Year coming on February 6th when all debts are expected to be settled, the Japanese invasion of Manchuria to explain and make capital of, and with the Nine Province Alliance certainly not loyal, the Canton Party cannot hope to continue in power for long.

In the North finances are also in a precarious position and it is generally recognized that Chang Hsueh-liang longs to travel abroad and leave the mess he has made for another to clean up. The voluntary retirement from Chinchow permits the thought by some members of his entourage of returning to Mukden, but Chang Hsueh-liang still remains persona non grata to the Japanese.

In Manchuria Chang Ching-hui has fully acceded to Japanese wishes and has accepted the chairmanship of Heilungchiang, stating rather pathetically that in so doing he is complying with the demands of the Chinese gentry. In Kirin, Hsi Chia, and in Fengtien, Tsang Shih-yi, as governors jump when Japan pulls the strings. Tang Yu-lin from Jehol has evidently also cast in his lot with Japan and a conference is now proceeding in Mukden looking to the foundation of a new state comprising Heilungchiang, Fengtien, Kirin, Jehol and Inner Mongolia. Such a federation may be expected under the Japanese eye to be very loose and practical provincial autonomy is assured.

In the South the two Kwang provinces have made an agreement whereby Kwangsi in the person of Li Tsung-jen receives 600,000 dollars per month from Kwangtung personified by Chen Chi-tang. So long as payments are made the perpetual quarrel between these two provinces may be held in abeyance.

2. The New Government.

With the resignation en bloc of the old Nanking Government on December 22, the Canton clique found itself temporary master of a very critical situation. Before adjourning on December 30th the Plenary Session of the Kuomintang Committees proceeded to the election of chiefs for the various

yuan and the chairman of the government. Lin Sen, veteran party leader from Fukien, was made Chairman of the National Government, while Sun Fo, Chang Chi, Tai Chi-tao, Yu Yu-jen and C.C. Wu were made chairmen of the Executive, Legislative, Examination, Control and Judicial Yuans, respectively.

Though Canton points with pride to the fact that these appointees do not include any military man the fact remains that this is the weakest point in the election, since no real power belongs to the government. Canton has emasculated the office of president and has given all the power to Sun Fo as Chairman of the Executive Yuan. Sun Fo will act substantially as premier.

While the Plenary Session made the appointments previously mentioned, the other officers were appointed by the New Central Executive Committee itself elected by the Plenary Session. The members of the powerful Standing Committee of this organization are General Chiang Kai-shek, Messrs. Hu Han-min, Wang Ching-wei, Sun Fo, Yu Yu-jen, Ku Meng-yu, Chi Cheng, Chen Kuo-fu and Yeh Chu-tsang. On December 29th this Standing Committee approved the appointment of the members of the new government as submitted by Sun Fo, who of course in the absence of Chiang Kai-shek, Hu Han-min and Wang Ching-wei controls the committee. The list of the new ministers is deserving of comment.

Foreign Affairs - Mr. Eugene Chen. Mr. Chen's reputation is at its lowest ebb. He is thought to be adept at tweaking the noses of the foreign powers and so was elected. Half negro, half Chinese, he speaks but English and has as many enemies as any man in China.

Finance - Mr. Huang Han-liang. Formerly under T. V. Soong as number three or four, he has had some experience as a banker in Shanghai but is not considered to have any great ability.

Communications - General Chen Ming-shu. General Chen was formerly of the Canton clique but went over to Chiang Kai-shek when Canton seceded. He acted as intermediary in the recent negotiations and was given this post in payment for services rendered. He has had no experience in communications and has little ability.

Railways - Mr. Yeh Kung-cho, formerly of the Anfu and Fengtien parties. A man of some experience and ability but of doubtful loyalties.

War - General Ho Ying-chin. General Ho still remains loyal to Chiang Kai-shek.

Navy - Admiral Chen Shao-kuan. Admiral Chen has lately been affiliated with Chiang Kai-shek, although a Cantonese. He is well thought of by the general public.

Education - Mr. Chu Chia-hua. Mr. Chu was formerly president of the Communications College but does not attract much attention in intellectual circles. A Nanking man.

Justice - Dr. Lo Wen-kan. Formerly of the Anfu and Fengtien cliques, Dr. Lo brings ability to his new post.

Interior - Mr. Li Wen-fan. Mr. Li is a Fengtien man who has not been heard of often before.

Industry - Mr. Chen Kung-po. Mr. Chen is a close friend of Wang Ching-wei and has not held office before. Little is known of him.

Probably next to Eugene Chen's appointment as Foreign Minister, General Ho's appointment as Minister of War is the most startling. Under General Ho are Chu Pei-teh, Chief of Staff, and Generals Li Chai-sum, who is reported already to have resigned, and Tang Sheng-chih as Inspector General of Military Training and President of the Military Advisory Council, respectively. Chu Pei-teh of course remains a Chiang Kai-shek man, and while Li Chai-sum and Tang Sheng-chih are undoubtedly anti-Chiang their posts are empty of power. Thus the control of the army remains with the ousted Generalissimo.

After this more or less casual review of the members of the new government it is not to be expected that the Canton clique will remain long in power. Chiang Kai-shek has not gone far away. His army remains loyal and he will undoubtedly come back when the new group has shown its unfitness for office.

Eugene Chen has said that as soon as he was in power the Japanese question would receive prompt settlement. Now, however, he is doubtful as to how far he can go and what he can do. He is known by many to have instigated the action in Mukden, and while angry that the Japanese took him too literally in bringing so much force to bear must rest content in getting Chiang Kai-shek out in the manner planned. That the Japanese are anxious to open negotiations and stop the boycott goes without saying. That Eugene Chen would be willing to negotiate is generally believed but the pretext is yet to be found.

Rumors that Feng Yu-hsiang will play a big part in the present government still persist, although his name heads no public administration. He is the one man who might save the situation and it remains to be seen whether the present government is big enough to recognize the fact.

3. <u>Manchuria</u>.

In spite of the United States and the League, the Manchurian question is being settled in a typically oriental fashion. What proposals and counter-proposals brought the Chinese retreat from Chinchow we are not prepared to say, but it seems certain that the Mukden clique caused the evacuation with hopes for rewards in the future. Sometime ago Chang Tso-hsiang might have returned if Japan's wishes had been met, - it may be too late for him now but certainly hope is held that by this last move some of the lost riches of the Mukden clique may be salvaged.

The Japanese move up from Yingkow, the Chinese withdrawal and the Japanese occupation of the Chinchow area is covered in Report No. 8181. It is sufficient to say that no real opposition was put up by the Chinese, no plans were drawn for defense, and very little attempt was made even to save face. Chinchow was a bargaining point whose loss was regarded as inevitable but through whose loss some concession was hoped to be obtained.

Japan now controls Manchuria and most if not all of Inner Mongolia.

Ma Chan-shan, a Mars in the press, has never desired to fight. Even years ago an addict of opium, to-day he hopes to use some of his surprising fame to his own advantage. He has been offered the position of Military Adviser to Chang Ching-hui but has held out for the governorship. Chinchow's fall may lessen his ambition but he will have difficulty in reconciling the press version of the Hero Ma with the actuality. Who knows - perhaps the vision he has seen of himself may cause him to lead another forlorn hope. It will at least make it necessary for him to find a remarkable "face-saver" before he can accept a position under the Japanese.

There is some talk of Japanese occupation of Shanhaikuan. But with a strong Japanese garrison in that city and a highly conciliatory attitude on the part of the Chinese officials there, this would not seem necessary unless an attack on Tientsin is contemplated. It is not believed that the Japanese

care to risk any violent military action in China proper unless driven to it by Chinese aggression. Contact between the Shanhaikuan garrison and the forces moving from Chinchow has already been established, which in fact if not in name places Shanhaikuan under Japanese control.

While it is impossible to write finis after political and military moves in the Far East, the Japanese adventure in Manchuria seems to have ended. There are bandits to mop up, there are administrations to be formed, but there is nothing now in the way of the "Open Door" policy - Japanese style. The League of Nations and the United States have been flouted. China has been robbed of an area six times as large as New England with West Virginia thrown in for good measure, and having a population of 30,000,000 Chinese.

The next paragraph will read "The Lowering of White Prestige and the Growth of Japanese Power". When in the future we come to regain our carelessly strewn chestnuts we are likely to burn our fingers.

4. <u>Feng Yu-hsiang</u>.

On December 27th the Christian General passed through Fengtai on his way to Tientsin, Nanking and Shanghai. Clothed in his blue coolie cloth gown, riding in a dilapidated second-class coach, eating the kaoliang and millet of the peasants, he again made picturesque appeal to the masses.

Much to the surprise of everyone he stopped off at Tsinanfu where he called upon his erstwhile enemy, Han Fu-chu, and inspected the latter's troops. His remarks after his inspection as quoted in the press are not without significance,- "Your troops show years of hard training, and they certainly receive my praise. After all, you have accomplished something while I have wasted my time painting and practicing hand-writing. No matter how well one can draw or write he will not be able to defend his country. The only way for us to do is to train men for the protection of the people from invaders and bandits". In other words Feng has emerged.

In 1929 Feng Yu-hsiang told the writer that if he ever got his hands on Han Fu-chu he would cut off his head. Han betrayed him and Feng has never forgotten. Han now fears Feng and certainly would never trust himself in his power. The call at Tsinan was not the reconciliation it was intended to show.

The rumor which appeared in the Chinese press soon after Feng's visit that Han was gathering troop trains for the occupation of the Peking-Tientsin area, and the talk that accompanied it of a combined Han-Feng attack in this area, only gives an inkling of the truth. In the best informed circles it has been an open secret that Han's ambition lies in this direction. It is also generally believed that Feng would like to drive the Fengtien Army into Suiyuan as his army was driven by Chang Tso-lin some years ago. Cooperation between the two is, however, out of the question.

To-day Han can muster some 40,000 to 50,000 men, - too small an army to attack Chang Hsueh-liang's 200,000. If Feng's old troops all came back to his colors he could again lead 70,000 to 80,000.

Feng's future depends largely on re-aligning the Kuominchun. There is no doubt that the "Christian" General's hold over his officers and men has always been remarkable. He compares with the greatest leaders in the world in the devotion he can command from his troops. But all the time Feng has been painting plum blossoms in Shansi his men and officers have been living on the flesh-pots. The old regime calling for cotton clothing, coolie fare, the ascetic life of a Roundhead, has given way to the silks, the feasts, the life

of pleasure of the cavalier. And Feng emerges changed not one whit from the Feng who retired. Do his soldiers contemplate with equanimity the loss of the pleasures they have come to regard as a part of their lives and the substitution of the rigors of the old regime? Will they again become fired with Feng's personality and desert the paths of ease for the rocky roads of virtue?

Feng, the popular Hero, the son of the people, whose sons are studying in Moscow, who lived some time in Russia himself, can do more for China to-day than can anyone else. It is not a case of whether he will be big enough for his trust but whether the people will be big enough to follow.

As these Comments are being transcribed Feng is in conference with Wang Ching-wei in Shanghai. The popular politician and the beloved general would make a team which would be unbeatable. Both have the same viewpoint, each is honest, each a visionary. Can they work together?

The Shanghai banker, the typical foreign business man, throws up his hands when Feng's name is mentioned. They see the friend of the people who leans toward Moscow. Their vision is correct. Feng is the friend of the people and were he in power a communistic orientation which for thousands of years has been present in Chinese life might be made articulate and be recognized. Feng is no more dangerous than that. Perhaps the Shanghai banker and the foreign business man would make less money but Feng would do all he could to see that the people got the difference.

5. <u>The Future</u>.

The Comments endeavor to be more than a report of the fortnightly news. As the title indicates they attempt to comment upon the happenings in China, and necessarily must show where tendencies lead and give the inwardness of events in general. To report on events some two or three weeks after they have occurred when reports from other commentators in China have been read and digested and when it is possible to deal wholly in the past and not occasionally in the uncertain realm of the future is the work of the historian. Thus the Comments do not represent a digested galaxy of opinion and so to be honest and to fulfil their purpose must sometimes err.

There is no time in China when it is not dangerous to make prophecies and the present combines more uncertainties than we can remember as having existed at one time in many years. There must, however, be indications, if we can find them, of what the future holds.

The Chinese revolution, which did not begin in 1911, is by no means completed. Even the political phase which may be said to have begun in 1911 is not completed. The social, economic and moral revolutions which are concurrently racking the country have hardly begun. The Japanese invasion of Manchuria will stimulate these various phases and hasten the final outcome.

With a political and racial disunity which makes China not a nation but a state of mind, the political revolution, if one considers the unity of China as the final goal, has far to go. The monarchy failed, a constitutional form of government failed, and the Soviet yuan system is failing. The various parts which go to make up geographic China are so individualistic that welding in a slow fire is impossible. There seems to be necessary the white heat of a cataclysm. The ordinary phenomenon of revolution is a slow process. China can not wait. Russia could not wait, and processes which in normal cases take years in Russia were forced into the space of months. So in China, the fire which finally fuses China will be hot and devastating.

Are or are not these advanced thinkers who advocated reciprocity in all things with China in 1926, 1927 and 1928 still as insistent in giving away all treaty rights? It seems doubtful.

7. Miscellaneous.

The Canton Government. The formal abolition of the Southern Opposition Government at Canton took place on January 1, 1932, simultaneously with the inauguration of the new government at Nanking. The success attending Canton's venture is unique in contemporary Chinese history in that victory was obtained without bloodshed.

Riots in Harbin. On the evenings of January 2nd, 3rd and 4th riots broke out among the Russian populace of Harbin. According to the Chinese press these disorders were caused by the Japanese in the hope that a pretext would be outcoming for placing a garrison in Harbin.

The Consul General at Harbin, Mr. Hanson, reports the cause of the outbreak to be that Russians became inflamed over the treatment accorded one of their nationals by a Chinese shopkeeper and attacked his shop, doing some damage but they in turn suffered severely at the hands of the Chinese police.

The White Russian in Manchuria has been a man without a country. Forbidden to return to his own land he is often denied a Chinese passport and has no consular jurisdiction to assist him. The reports of injustice and tyranny on the part of the Chinese authorities are legion and often well authenticated. Having existed under these conditions it is not strange that with the ascendancy of the Japanese the White Russians should seek revenge.

British Trade. The boycott of Japanese goods and vessels and the fall in the pound sterling have boomed British trade in China. Heretofore English firms could not compete with Japanese products but now there is a close parity in price and the added stimulus of the boycott is turning practically all of China's cloth market to England.

Manifestoes. In addition to broadcasts by Mukden generals denouncing the Nanking Government for lack of support in the Chinchow area, General Ho Cheng-chun, Chairman of the Hupeh Government, issued a public telegram on January 4th in the same vein. This telegram is quoted to show the general attitude which is being adopted towards the present Nanking Government:

> "At this critical juncture it is extremely difficult for the soldiers of the Three Eastern Provinces alone to hold out against the enemy, who has mobilized all his available resources against us. If the Government takes an indifferent attitude and does not appropriate a single cent or round of cartridges to reinforce the Northeastern troops, there can be no doubt as to the ultimate outcome of the struggle. If the Government continues to adopt a policy of watchful waiting, it is feared that those who have been trying to rally the nation under the banner of national crisis, will only hasten the fall of the nation. Since you came with a programme, it is to be supposed that you know how to deal with the crisis. We earnestly hope that you will make up your mind and devise a fundamental plan for the general mobilization of the nation and the recovery of the lost territories by force. Being military men, our duty is to defend the country. If you have any orders, we will do our best to carry them out."

Parker G. Tenney.

Parker G. Tenney
Captain, Field Artillery
Assistant Military Attache

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Forwarded.

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COMMENTS ON CURRENT EVENTS

January 6 - 20, 1932

1. General
2. The New Government at Nanking
3. Japanese Military Occupation of Manchuria
4. Communism
5. Miscellaneous:
   League of Nations Commission
   The American Note
   Shansi Finances
   Conversation with C. T. Wang

1. General.

China as a State is falling to pieces visibly. Chinese authority has been swept from Manchuria and Japan is secure in possession of this vast and rich empire, the realization of carefully laid plans that have been maturing for many years. Although the Japanese official spokesman takes occasion to declare that Japan has no territorial ambition in Manchuria and lays great stress on the open door policy, her military machine controls the arteries of communication throughout Manchuria. Chinese officials carefully selected are administering the governments of the Three Eastern Provinces under Japanese supervision and the "open door" is not now open.

In the north of China and inside the Great Wall the Young Marshal exercises control and present indications are that he will continue to do so as long as he can raise funds to keep his military and political followers in hand. He frequently announces, not too loudly, that he is loyal to Nanking but he retains sufficient of the national revenues to assist in meeting necessary expenses. It is generally believed that there is little in common between the Young Marshal and the present government leaders in Nanking, and that his cooperation is awaiting the return to power of Chiang Kai-shek.

There is much publicity given by the press to a Southwestern Federation to include the provinces of Kwangtung, Kwangsi, Yunnan, Kweichow and Fukien. It is said Hu Han-min will figure prominently in this Southwest scheme of alliance as he and other prominent Canton leaders desire to consolidate Southwest China to prevent the revival of a dictatorship. Hu Han-min's continued refusal to go to Nanking to cooperate with Chiang Kai-shek and Wang Ching-wei appears to lend color to the above proposed federation.

There is a persistent report that generals loyal to Chiang Kai-shek and who are now chairmen of provinces bordering on the Yangtze have formed a defensive alliance and dominate the entire core of the country. This is denied by Ho Ying-ching, Minister of War in the present government and right hand man of Chiang Kai-shek. However, the nine provinces involved were considered loyal to the Chiang government and since most of his loyal generals and troops are located in these provinces this fact may have caused the report to be published with a view to sowing further discord among government leaders.

It is not believed that any definite action has been taken toward the formation of a defensive alliance. Certainly there would be nothing to gain by marching on Nanking and the provincial chairmen would prefer to keep the revenues collected by themselves.

The Yangtze Valley is still suffering from the effects of the flood. There are still refugee camps in the Wuhan area where famine and cold are taking a large toll among the refugees and communism is again raising its hideous head. Red activities are rapidly increasing in the area from which

government troops have been withdrawn. These activities have extended to the river where ships are subject to attack daily. While the unsettled condition throughout China continues to grow worse, the new government at Nanking is helpless and at a standstill. There appears to be no one big enough to take hold and start the machinery of government functioning.

It is an interesting fact that the present leaders, most of them belonging to the Canton group, were loudest and bitterest in their denunciation of Chiang Kai-shek, condemning him as a dictator, refusing to listen to any suggestion of compromise and accepting nothing but absolute elimination. These same men are now begging Chiang to return to Nanking and help bring order out of chaos. He will undoubtedly return and will occupy a strong position in the government.

It is impossible to foresee a solution of the present national political disorder. Old residents and intelligent Chinese state they have never seen China in such a political state of chaos before, but they all feel that China alone can solve her own problem but will require time.

2. <u>The New Government at Nanking</u>.

With the beginning of the new year the opposition group at Canton, having realized their ambition in the overthrow of Chiang Kai-shek, took over the responsibilities and assumed control of the National Government at Nanking. This government has undergone radical changes in its organic laws and witnessed many changes in its personnel.

With the passing of the Chiang Kai-shek government the scramble for office has witnessed the installation of leaders of the Canton group in the most important positions in the National Government. It is said that out of thirty-six members of the government committee, many with imposing names and much influence, only nine took the oath in Nanking and this nine included those of lesser importance. All the principals are leaving Sun Fo to his inglorious sole part as premier of a government that will not function.

The new government is at a standstill due it is said to the absence of the Big Three - Chiang, Wang and Hu, and although the reorganization has been completed, the presidents and vice-presidents of the yuans designated, the cabinet members appointed, meetings held, committees appointed and resolutions adopted, the power to pass on these actions is absent and the government appears powerless to function. So the presidents of yuans and influential cabinet members have put aside affairs of state and are endeavoring to persuade Chiang, Wang and Hu to go to Nanking and as the important part of the Standing Committee of the Central Political Council (the highest political organ in the government) assist the new government to begin functioning. All efforts to date have been futile. Chiang is reported to be in Hangchow but has refused to be interviewed. Wang is said to be in a hospital in Shanghai; just how seriously ill he is no one from personal observation is prepared to say. He sent out messages that he will go to Nanking when his health permits but in the meantime he has resigned his government offices. The press of January 19th, however, published in big headlines that Wang had gone to Hangchow and was in conference with Chiang Kai-shek and they had wired Hu Han-min to join them in Nanking. Latest information from Hangchow is to the effect that Chiang and Wang had gotten together and would soon go to Nanking and that Hu refuses to cooperate with Chiang. Unless these leaders arrive at some understanding and take control at Nanking the present political situation will continue to grow worse as there is no one strong enough to take hold and carry on.

The present government has no funds and has little power to raise the sums obviously necessary for government expenses. It is doubtful whether the present government has control of military power sufficient to enforce its mandates outside of Nanking and possibly Shanghai. As the present government is unable to continue remittances to provincial headquarters to meet government expenses the national revenues are being detained in many important cases, e.g., Shantung, where national revenues are being collected and detained by Han Fu-chu and Liu Chen-nien, and Kwangtung, particularly Canton. It is pretty generally recognized that at the present time the National Government is receiving revenues from Shanghai only.

The new government made a very startling proposal that a moratorium be declared on certain internal obligations. This brought forth such a storm of protest from bankers and other business men and bond holders that Eugene Chen notified our Consul General in Nanking that the idea had been abandoned as satisfactory arrangements had been made with Shanghai bankers to assist the government with funds.

To date little of a constructional nature has been accomplished by the new government. There appears to be a general lack of confidence in the ability of the present leaders to carry on and speculation is general as to how long this government will remain in office. Even though to-day's press is optimistic in the belief that Chiang and Wang will agree, the general belief is that the Big Three will not cooperate in an effort to put the government on an efficient working basis. There is a feeling of bitterness between Chiang and both Hu and Wang, who have suffered severely at his hands. Since each is an older member of the Party than the Generalissimo there is doubt that they will submit to his dictates. It is believed however that the solution of the present general disorder of government rests with one or all of these men, with Chiang being favored as the best bet.

In the meantime China is drifting like a rudderless ship. There is no head to direct affairs. Will someone strong enough get to the wheel before the ship becomes a wreck?

3. Japanese Military Occupation of Manchuria.

The final withdrawal of Chinese regular troops from South Manchuria inside the Great Wall early in January practically marked the end of organized military opposition to complete control of Manchuria by the Japanese military. The Japanese occupation met with little resistance and no declaration of war.

The occupation of the Three Eastern Provinces by the Japanese military machine was undoubtedly carried out as a result of careful planning covering many years. The occupation of the strategical points and sweeping away Chinese authority covered a period of only four months. The force employed did not exceed 20,000 men and loss of life was negligible compared with the conquest of an empire.

The Chinese authorities adopted a policy of non-resistance and the Chinese army withdrew before the Japanese advance. However, away from the railroad many of the regular Chinese units were cut off and being unable to rejoin the main force have become irregulars and even resort to banditry in order to subsist. These units are mostly located in the hills to the west of Chinchow in South Manchuria. The Japanese intelligence are giving wide publicity to increasing activity of bandits and losses suffered by Japanese units as a result of attacks by large bands of bandits or irregulars. There are undoubtedly some bands of bandits or others hostile to the Japanese that are causing some difficulty to the Japanese, but it is believed reports are largely exaggerated and published in order to justify the increase in Japanese

military strength. There is much publicity given out that the Japanese are moving on Jehol but reliable information stops their advance in the rich coal mining area around Peipiao, just inside the eastern border of Jehol and on the railroad branch line from Chinchow. The last operations in South Manchuria have given the Japanese control over the following railroad lines: Peking-Mukden, the main line from Mukden to Shanhaikwan; line Tahushan to Tungliao-Kowpangtze to Yinkow; branch line Chinchow to Peipiao; branch line from Lienshan to Hulutao. The occupation of Hulutao has also been effected.

To January 20th travel on these lines is not open and it is difficult to say when normal traffic will be resumed. The Japanese say bandits attack the lines daily. It begins to look as though the Japanese have undertaken a big task in an effort to secure control of all the railroads and insure normal traffic without a large increase in the military or police. In the meantime someone is suffering a heavy financial loss.

The status of the Chinese Eastern Railway naturally gives rise to much speculation as to the future operation. It is expected that the Chinese side of the management will experience great changes. It is said the present Chinese members of the board of directors are appointees of the Young Marshal and it is expected that these Chinese members will be recalled and replaced by appointees designated by Japanese authorities. These changes will tend to bring the new officials in close contact with the Soviet power which holds complete sway over the C.E.R., and the reaction of the Soviets is awaited with much interest. The Japanese, through their Chinese directors, will endeavor to gain control of the C.E.R. and in the event they succeed Japan will control the entire railway net in Manchuria.

The Japanese are busily reorganizing the whole system of telephone and telegraph administration throughout Manchuria, and by controlling all lines of communication the Japanese military will be secure in the occupation of Manchuria and will be able to proceed with establishing the independence of the Northeastern Provinces and setting up a form of government satisfactory to their needs. Latest but unconfirmed reports from Mukden state that a republican form of government will be set up on the first day of the forthcoming Chinese New Year and that the Ex-Emperor, Hsuan Tung, may become the first president. It is believed that this report is a bit premature.

4. Communism.

The present unsettled condition throughout China is playing into the hands of the communists. Reports from our Consul General at Hankow indicate increased Red activities in the Wuhan area. Several columns are operating within twenty miles of Hankow and although there are sufficient military to protect the city travel and transport of goods are greatly interfered with. Reliable information is beginning to come out of Kiangsi that the Reds are re-occupying the areas and villages from which they were driven by Chiang Kai-shek during his campaign last fall. Many of the government troops have been withdrawn and the Red menace is increasing. Further reports from Hankow and gunboats on the Yangtze indicate increased activity on the part of Reds in attacks on river shipping above Hankow. It is said that the communist-peasant movement with its village councils in Kiangsi is now so strongly consolidated that its hold will never be shaken off.

5. Miscellaneous.

League of Nations Commission. It is an interesting fact that the appointment of the personnel to the League of Nations Commission of investigation and its probable visit to China has aroused very little discussion or general interest. When a subject of discussion it is usually disposed of with

the remark that it is not believed the visit of the commission will be attended with any beneficial result to China, and that before its arrival the Japanese will be so secure in the occupation of Manchuria that the commissioners will find existing conditions justify the Japanese action.

The American Note. The American note to Japan and China was favorably received in China and given wide publicity for a few days. However, the Chinese soon became indifferent and lost confidence in any future benefits resulting therefrom. This attitude was followed by one of ingratitude, the Chinese press becoming bitterly critical. As an example, one criticism offered the information that the reason the American Government did not act earlier was probably due to the fact that delay was necessary to enable American investors who held large interests in Japanese Government bonds to liquidate their holdings——a characteristic display of Chinese mentality.

Shansi Finances. A deplorable condition obtains in the province of Shansi which until recently has been known as the "Model Province" administered by a model chairman in the person of Yen Hsi-shan. Yen was persuaded into civil war and when he and Feng Yu-hsiang were beaten in the fall of 1930, many thousands of their troops took refuge in Shansi and have been a burden on the people. Conditions have been getting worse until to-day the province is bankrupt. Shansi notes are quoted at three cents to the dollar. The Chairman, Hsu Yung-chang, is now in Peiping trying to raise funds while Yen, the cause of this suffering, is sitting contentedly in his home village in Shansi.

Conversation with C. T. Wang. The following expression of opinion was obtained from C. T. Wang, ex-foreign minister, during a visit early in January. He said he felt optimistic as to the eventual outcome of present conditions; that the present government would not last more than two months; and that General Chiang Kai-shek and Wang Ching-wei will work together and in his opinion they alone, assisted by the Young Marshal in the North, can bring order out of the present chaos.

Wang said that Eugene Chen was very unpopular and was looking for a way out of his present difficulties. He (Chen) says he wants to go to England as ambassador. Wang says Chen went to Japan for assistance to overthrow Chiang Kai-shek and now finds himself in a Japanese trap. He says the Nanking clique does not want Hu Han-min back as he is a trouble maker. He stated that Dr. C. C. Wu got in with the wrong clique but is now trying to make amends and get in with the strong government backed by Chiang. Feng Yu-hsiang, Wang says, is strong and popular but has no balance to carry on successfully.

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COMMENTS ON CURRENT EVENTS

January 1-February 2, 1932

1. General.
2. Japan in the Yangtze Valley.
3. The National Government.
4. Japan in Manchuria.
5. Communism.
6. Miscellaneous.

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1. General.

"Whom the gods would destroy, they first drive mad". The Japanese are running amuck throughout China. They are half-maudlin with a success gained against an unprepared and timid foe. Twelve cruisers, thirty-two destroyers, two airplane carriers and two gunboats are in the Shanghai-Nanking area, - a force large enough to protect not only Japanese but all other nationals. Perhaps intimidation is Japan's aim. But in place of intimidation there is growing up a hate that can not be dispelled by warships or divisions, a hate that one day will crystallize to Japan's peril.

The International Settlement in Shanghai was used first as a cover for the landing of troops and then as a jumping-off trench for the attack. Admiral Shiosawa in conversation with the British Consul-General at Shanghai said, "If firing continues from Chapei I will order forty planes aloft and destroy it utterly". The Britisher was not sure that he had heard this statement correctly or that the interpreter had not made a mistake——but it was repeated.

Undoubtedly the Chinese opened fire first as the Japanese advanced into Chapei. Probably a few shots were fired by ill-disciplined soldiers at the Japanese men-of-war at Nanking. But what were Japanese marines doing in Chapei and why were so many ships in Nanking?

In Swatow a landing party vindicated the honor of the Japanese Emperor by demands made on the Chinese authorities. In Canton a similar situation has arisen but for the time being has been alleviated. Near Harbin two Japanese brigades march on the city. The Changchun branch of the Chinese Eastern Railway has been taken by the Japanese. Trouble is expected in Hankow. Throughout China the pot is boiling.

While in the Peiping-Tientsin area Chinese troops are not restive, in the Yangtze Valley and in the South they are growing frantic and are insisting on being led towards the invaders. Chiang Kai-shek, who as Chairman of the National Defense Commission still controls his old troops, knows that the time is not ripe for a declaration of war. He, with Wang Ching-wei, has moved the government to Loyang away from the possibility of Japanese pressure and to a point from which raids can make the Japanese very uncomfortable.

The Japanese war-machine will not be turned back by notes nor by more potent threats. While a combination of powers would be heeded, the intervention of the United States alone would mean war. Japan can not turn back without changing her entire concept of government. Her shogunate has directed her moves and until it falls she will continue along the lines which have been prescribed.

Though early action by the United States and Great Britain could have prevented the trouble from coming within the Great Wall, that action can no longer be taken. We have connived at the plundering of one whom we have traditionally claimed as our closest friend. We have made the League of

Nations and the Kellogg Pact, our own children, orphans in the eyes of the East. We have preached love and the square deal and have acquiesced in slaughter and tyranny.

In November 1904, Count Komura, then Minister of Foreign Affairs in Tokyo, speaking of Korea said that Japan was "determined to maintain the integrity and independence of the peninsular Empire". Article III of the Treaty of February 23, 1904, reads, "The Imperial Government of Japan definitely guarantees the independence and territorial integrity of the Korean Empire". Do we think that in twenty-odd years truth has completely supplanted falsehood? Are not Japanese pronouncements open to the interpretation of the past?

It is a well known fact that truth and folly are thought to go hand in hand by both Japanese and Chinese. The Japanese says he will not open fire and the next day day turns loose an inferno. And the worst of it all is that we know the oriental well enough to expect just that.

2. <u>Japan in the Yangtze Valley</u>.

The collision at Shanghai was inevitable. Whatever the pretext it was bound to occur, and the only wonder is that it did not come sooner.

When on January 20th Japanese rowdies took the law into their own hands, set fire to a Chinese factory and murdered a Chinese policeman of the Settlement force, in retaliation for an unwarranted attack, fatal in one case, on five Japanese monks by a group of Chinese toughs, the powder train was lighted.

Although it is believed that the Chinese police know definitely what persons attacked the monks no action was taken. On the other hand the Japanese rowdies were promptly arrested, deported and in due course of time will come up for trial. The wholehearted manner in which the Japanese Consul-General, Mr. Murai, has endeavored to curb the unruly elements under his jurisdiction leaves little doubt of his honesty of purpose. The ultimatum delivered by the Japanese Naval Commander called for an immediate and satisfactory reply to the protest lodged by Mr. Murai, the cessation of the prolonged anti-Japanese agitation, and the dissolution of the anti-Japanese Salvation Association and other anti-Japanese bodies. It was delivered after it had been seen that the Chinese were to give Mr. Murai satisfaction. Neither Mr. Murai nor the solid Japanese citizens of Shanghai were responsible for the ultimatum. Its source was Tokyo, - its motivation Tokyo.

Incidental to these disturbances was an article published by the Shanghai "Min Kuo Jih Pao", in which it was alleged that Japanese marines took part in firing the Chinese factory. The Japanese Navy considered this an insult and sending officers to the newspaper office, which is in the center of the International Settlement, demanded a half-page denial of the statement, the punishment of the persons responsible for the article, and a personal apology by the newspaper's editor. To avoid complications, the paper was closed by the municipal authorities.

All reports from Shanghai have indicated that Mayor Wu Tieh-cheng agreed to all of the Japanese demands. But one of Mayor Wu's intimate friends who was with him on the day of the outbreak informs us that an hour before the attack occurred the Japanese made yet another demand, to the effect that they should be allowed to occupy Chapei. This the Mayor refused.

There is a deal of similarity between the Japanese action in Mukden and in Shanghai. In Mukden it will be remembered that the Japanese demands in connection with the Nakamura murder were on the verge of being met when the attack started. In Shanghai also the demands were met and yet another had

to be made which gave the excuse for the attack. The Japanese military machine has begun to grind and grind on it will in spite of the weakness of all pretexts.

The account of the Japanese action in Shanghai is well known. Everyone has read of the inferno created by bombs and arson in Chapei, and of the spirited defense put up by the 19th Route Army. This army, made up entirely of Cantonese, acted without the sanction of the government and wholly on orders from the Canton clique who demand a declaration of war. It is reported that funds for the attack were supplied by Sun Fo. Chests are now being made up in Canton for the individual soldiers and the Yenching University student body telegraphed "Well killed, do it again!".

"Reuters" in a labored manner has endeavored to implicate the United States in news items such as "American Marines clash with the Japanese"; American Warships and Marines have been called out"; "Regular Army troops have been ordered to Shanghai"; "The American Consul-General accuses the Japanese of bad faith";"Drastic action expected by the United States". Such inspirations are not calculated to bring Japan and the United States closer together.

In laying Japan's action wholly at the door of the boycott a mistake is made. Undoubtedly Japan is suffering greatly from the boycott, but there is also the fact that Shanghai is a smoke screen behind which two brigades are advancing on Harbin, and the Changchun-Harbin section of the Chinese Eastern Railway has passed quietly into Japanese hands. Japan's psychology is at fault when it attempts to end the boycott by force. Granted that boycotts in China have always been actuated by the government and that this is no exception, and granted that Japanese action is based on this knowledge, yet force is changing this particular boycott's complexion. The murder of innocent Chinese is deepening the hatred of the masses for the Nipponese. True, economic pressure is so great that children must sometimes be sold and consequently that even Japanese goods will always be purchased by those whose necessity demands the saving of a few coppers. But those to whom the few coppers do not mean so much will remember Japan's action for a long time and boycott her imports as long.

As these Comments are being prepared news is arriving of an ever widening zone of Japanese action. A landing party has gone ashore at Swatow. The forts on Lion Hill near Nanking are being shelled, marines have landed in Hankow. The Japanese war-machine would be glad to halt but cannot. Each new extravagance leads to some further excess.

China is bigger than its treaty ports, - bigger than its railways, and far greater than its leaders. China does not need our pity. The Japanese Empire would dissolve ere one-half of China could be conquered. Long after Japan has ceased to be China will be one of the world's greatest nations. That much is certain.

Japan is laying up a store of hatred for herself which will one day in the not distant future break loose to defeat and dismay. Japan does not want war with China, but with Russia. In such a conflict China as a friend would immeasurably aid Japan. As an enemy she would immeasurably hurt her.

3. <u>The National Government</u>.

As predicted in an earlier Comments, the Canton clique in charge the government did not have the strength or the ascendancy to remain long in office. They needed Chiang Kai-shek and T. V. Soong - the latter because he has the confidence of the financiers, and the Generalissimo because China's best armies are in matter of fact loyal to him alone.

The stream of visitors to Chiang's native village of Fenghua soon gave evidence that the ousted President was still popular, and gave him an excuse to move to Hangchow where not only could his callers be more properly received but where, incidentally, he would be more accessible. Then at Hangchow he finally met Sun Fo, Wang Ching-wei and Ho Ying-chin who after many hours persuaded him to listen to the call of his country. Chiang has always listened, and has never burned his bridges. Having prepared his departure with the idea of a rapid return, neither the exit nor the re-entrance were difficult. His lines were well rehearsed, and the Cantonese to whom he loaned the power during his vacation climbed no farther up the ladder of fame than he had anticipated. In fact they showed utter incompeteney.

Wang Ching-wei, idealist, erstwhile soap-box orator and bete noire of the British, can not however be tarred with Sun Fo's and Eugene Chen's brush. Suffering from diabetes, he has assumed the presidency of the Executive Yuan, vacated by Sun Fo on January 25th, and with the new authority accorded that post will endeavor to reconcile his radical views with the actuality of power. A difficult but by no means impossible task.

Should the hoped-for happen and Wang and Chiang become warm friends, the present government will indeed have more power than the old. Wang the radical, the honest visionary who builds on the people, has not much in common with Chiang the reactionary, the practical politician who yearns for dictatorial power.

Hu Han-min, who with Chiang Kai-shek and Wang Ching-wei constitute the Big Three of the Kuomintang, has turned a deaf ear to the importunities of those who urged him to come to Nanking. In a conversation with Yu Yu-jen, who went to Hongkong to urge his return, Hu said, "You as a member of the C.E.C. should be familiar with the situation in Nanking. Do you want me to live again at Tangshan?" And when Yu made the reply "Times have changed", Hu said, "I do not see any difference in the Nanking of to-day. Why should I deliver myself into the mouth of the tiger?" When it is remembered that Tangshan was Hu's jail for some months, it can be seen that the vitriolic old man has reason for such complete lack of confidence in the personnel at the capital.

Wang Ching-wei and Chiang Kai-shek returned to Nanking on the 21st and 22nd of January, respectively. On the 25th both Sun Fo and Eugene Chen resigned; in reality a divorce on grounds of incompatibility.

Eugene Chen for reasons best known to himself, and Sun Fo, a follower, demand an immediate declaration of war. Chiang Kai-shek and Wang Ching-wei caution delay and preparation before so grave a step. They counsel resistance but do not wish to give up their only hopes, the League of Nations and the Nine-Power Pact, by declaring war. And so Sun Fo and Eugene Chen have left the government and T. V. Soong and Chiang Kai-shek have returned. In other words, with the exception of Wang Ching-wei, the government is constituted practically as before. Chiang Kai-shek has gained popularity through his voluntary relinquishment of power, though many deem his act an avoidance of a crisis brought about by himself, and the Canton clique has been chastened.

On the last day of January the Generalissimo in company with Feng Yu-hsiang, Li Chai-sum and Wang Ching-wei, transferred the government to Loyang. T. V. Soong, Ho Ying-chin and Dr. Lo Wen-kan, the acting Minister of Foreign Affairs, remain the only potent vestiges of the existing regime at the old capital.

Loyang, the seat of the Chou and Han dynasties, in the center of China, guarded not only by Chiang's army but by its geographical isolation, and offering the invulnerable Tungkuan Pass as an easy path of retreat, is an ideal choice. There if anywhere, close to the earth that is China, surrounded by the ghosts of the past that also are China, given a bond of union through Japan's excess, China may find herself.

4. Japan in Manchuria.

With the world's attention focussed on Shanghai, Japan proceeds with her nefarious schemes in Manchuria. Announcements in a Japanese controlled Harbin paper point to the early formation of a Republic of Manchuria under the control of a Japanese adviser. For the doubtful honor of President Henry Pu Yi, the Boy Emperor, now in Dairen, is mentioned.

In the area including Tahushan and Kowpangtze the "volunteers", a nondescript sort of "Minute-men" supplied with ammunition by the Young Marshal, are taking advantage of their knowledge of the country to inflict occasional losses on Japanese columns. These clashes have been greatly magnified; on the Chinese side to show that China still has its heroes and that the invader is not invincible, and by the Japanese to point out that troops are still needed.

Two Japanese brigades are now marching on Harbin, and our Consul-General there expects them to enter the city within the next twenty-four hours. The present conflict around Harbin illustrates the difficulties the invader is having in his new domain.

During the middle of January both General Ting Chao, commander of the efficient railway guards on the C.E.R., and General Li Tu, a brigade commander, wired the Japanese puppet governor, Hsi Chia, offering their homage and loyalty. General Yu Hsien-chou, commanding Hsi Chia's forces, and aided by several Japanese planes, was at that time attacking Colonel Feng Chang-hai, who commanded the remnant force still loyal to Chang Hsueh-liang. General Yu's attack met with success and was pressed home much to the discomfiture of both Ting Chao and Li Tu, who are old friends of Feng Chang-hai and who saw in the desire to annihilate Feng's forces danger to themselves.

Accordingly Li Tu joined forces with Feng and with Ting Chao retreated on Harbin. On the 28th of January a Japanese brigade left Changchun for Harbin, seizing C.E.R. rolling stock and traveling on the Soviet road. Their advance has been held up by the demolition of several bridges and by the Chinese forces. A troop train was rolled in a ditch by a Soviet station-master who opened a switch at an opportune time, and the Russian employees refused to aid in the operation of the line. South Manchuria Railway operators soon replaced them but experienced difficulties on account of the strangeness of the equipment.

These elements all tended to slow up the Japanese advance. The Japanese give evidence of holding up their attack until such time as enough reinforcements have arrived to make it effective, and two brigades are thought to be ready to engage to-day.

The difficulties over the operation of theC.E.R. have apparently been overcome by an agreement reached with the railway authorities, since Russian operators are now lending their assistance. In the event that the Japanese extend to either side of Harbin it is likely that White Russian railway workers will be used.

After the Japanese take possession of Harbin they will be in position to carry out their plan for the occupation of the Hsingan Range, which is regarded as essential by their General Staff. It would not be strange if disorders broke out soon in Hailar necessitating the despatch of Japanese troops. Thus the first Japanese objective in the war with the Soviet would be attained.

Evidence is accumulating of Japan's plans in this direction. Again propaganda organs are complaining of Soviet assistance to recalcitrant Chinese generals. The mild winter is aiding Japan, and an incident leading to hostilities would be welcome in Japanese military circles.

Russian reaction is problematical, but the fact that the Soviet five-year plan has not embraced the Trans-Baikal area, and the fact that a war would be disastrous to the five-year plan, leads the observer to believe that no serious resistance would be made to Japanese encroachments in the Maritime or Amur provinces. Red residents of Siberia have all along felt that they might be sacrificed on the altar of Soviet ambition. It seems to be the five-year plan or nothing in the Russia of to-day.

5. Communism.

Probably the greatest harm that Japan is doing China is in the impetus being given communism by her excesses. Chinese troops, never successful in fighting the Red-bandits, are now so greatly engrossed with Japan's encroachments that communism is making great strides.

A well informed Chinese military officer estimates that there are 120,000 Red soldiers in Kiangsi, 20,000 in Honan and Anhwei, and 30,000 in Hupeh. All of these carry rifles. He says that there are many more, probably two or three times as many, who though a part of the army have no rifles but are either armed with spears or are in the non-combatant branches.

A recent message from our Consul-General at Hankow states that the Chinese authorities there have asked for foreign aid in the event of an impending communistic attack. To those who have witnessed China's recent anti-foreignism, it will be clear how grave the situation must be.

Hankow has been threatened by Red-bandits for almost two years. Since 1927 there have been active communistic cells along the Yangtze Valley which have not only been successful in the cities but have made appreciable inroads among the agricultural classes. The movement is growing and is popular among the half-fed and utterly misgoverned peasantry.

The Yangtze Valley will one day be communistic. That much seems certain. But our impression is that only in the period of transition have foreigners anything to fear. Chinese communism will be as much unlike Russian communism as the Christianity of the Taipings was unlike that which had its birth in Palestine. It will rapidly lose the fire of the Russian brand and take on the mellowness of the Chinaman. The foreign business man has been exploited, thwarted and abused by Manchu imperialist, constitutional democrat, and Sun Yat-sen revolutionary in turn. Except in the period of hysteria attendant upon the actual transformation of government his treatment has been much the same. So during the anticipated change to communism he will suffer greatly, but when communism is a fact, the tension lightened and the nerves more quiet, his treatment will become normal.

6. Miscellaneous.

Wu Pei-fu. China's scholar-soldier, Marshal Wu Pei-fu, arrived at Pactouchen, the northwestern terminus of the Peking-Suiyuan Railroad, on January 24th. This is his first return to the scenes of his past glory since his betrayal by Feng Yu-hsiang in 1924. After a visit with Fu Tso-yi,

the governor of Suiyuan, and with Yen Hsi-shan, he came to Peiping, arriving on February 1st. He is now the Young Marshal's guest, living in one of his houses. It can be imagined that Chang Hsueh-liang is delighted to afford him hospitality here in Peiping, away from the influences of the wily Yen, and under his own eye.

While Wu Pei-fu states that he has come to act as mediator between China's factions, he is regarded with suspicion by those in power. Because of his prestige, which has not waned during his exile, he may with success play the part of either mediator or revolutionary.

Szechuan, Shensi and Kansu. The trouble which has been reported from time to time in Kansu, which has involved parts of Szechuan and Shensi, is still simmering. In reality it is a three-cornered dog fight for the juciest bone in the form of garrison posts and control of revenues. In the present phase the Szechuan commander, Teng Hsi-hou, has occupied four districts (hsien) in South Kansu and General Yang, Chairman of Shensi, who had established his ascendancy for the time being over the Kansu troops, has ordered the latter to attack.

Neither the Japanese threat nor all the myths of Chinese patriotism can prevail against the personal ambitions of China's warlords.

The Peking Leader. Beginning with Sunday morning, January 28th, breakfast tables throughout Peiping have taken on a gloomy aspect through the non-appearance of "The Leader". Not that the paper was of any value for it was a rabid, chauvinistic rag frequently leading to the blaming of the cook for faults not his. But Peiping was used to it and could always see who had advertised her latest cocktail party, who was selling his victrola, and what was being shown at the "movies".

The trouble began sometime ago when the editors searched frantically through their dictionaries for damning words to use in describing Japan, her people and their actions, but culminated in a reprint of an article in the local "Chen Pao", purported to be the declaration of the Independence Party of Korea. In the Leader's reprint, and after the manner of Elinor Glyn, asterisks were used which of course excited the public curiosity. For instance the sentence, "It must be mentioned that the Koreans are not the only ones who wish to ... ... the head of the Japanese Emperor ... ... for he does not have enough ... ... to control the current tendency of the time ... ...", is more intriguing than when the asterisks are left out and the sentence reads, "It must be mentioned that the Koreans are not the only ones who wish to chop the head of the Japanese Emperor, but that the entire Chinese race wishes to pare his head down for a drinking cup for he does not have enough sense", etc.

On the publication of this article the Japanese protested to the Young Marshal against the paper and its editor. The Young Marshal stopped its publication.

That the paper could have appeared again ere now is an open trade secret. It seems however that the usual monthly subsidies from Nanking are no longer arriving and that Philip Tyau, the editor-in-chief, hopes to gain complete control of all the stock by delay.

For and in the absence of the Military Attache:

Parker G. Tenney
Captain, Field Artillery
Assistant Military Attache

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WAR DEPARTMENT

[redacted]

February 1 - 16, 1932.

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1. General.
2. Shanghai.
3. Manchuria.
4. The Peripatetic Government.
5. Communism.
6. Miscellaneous.

1. General.

China, and more especially China's armies, are for the moment regenerated. Through the length and breadth of the land hope has been reborn. The Chinese soldier, who quite correctly thought that he was the effluvium of the depths, has gone up in his own estimate. "Perhaps", he is now saying, "I'm some good after all".

Japan by attempting to show her might has proved her vulnerability. The 19th Route Army which so courageously and unexpectedly has thwarted her purpose will live for all time in Chinese history. With 10,000 men Japan could have seized Chapei, but with the two or three thousand used in the bravado born in Manchuria and in the conceit of underestimation of her enemy, she has galvanized Chinese resistance. Had a sufficient force attacked, in spite of the fact that the attack was unjustifiable and unprovoked, China would have continued supine. But now the behemoth has awakened. Even the soldiers in Chang Hsueh-liang's following have gained heart. They are considering that they have over-estimated Japan's army, and that if the 19th Army can hold them back that they too may not despair.

Troops are being shifted all through North China. Shansi soldiers with the old Kuominchun are concentrating on the Peking-Hankow Railroad. Chang Hsueh-liang is moving his best troops to the Tientsin-Tangku area. Han Fu-chu is moving south along the Tientsin-Pukow line. Chiang Kai-shek has sent a defense corps to Haichou, the seaside terminus of the Lunghai. The arsenal in Taiyuanfu has commenced work again. China will resist.

What action Japan will take towards these moves is problematical. Good judgment would urge her to ignore them, for after all they are purely defensive. But in view of Japan's past actions, will good judgment again be debarred from her councils? In case these defensive movements are taken as a threat, and Japan again attempts intimidation, warfare will spread and the scene enacted in Chapei will be common all over China. China can make Japan pay more for Manchuria than Manchuria can ever be worth.

In Manchuria, Harbin is garrisoning the 2nd Japanese Division. Very good authority states that Vladivostok is being feverishly fortified. Is Mukden, Chang Ching-hui, Hsi Chia and Tsang Shih-yi, "governors" of Heilungchiang, Kirin and Fengtien respectively, have assembled at Japanese command to organize an independent government——a government which but for strife in the Japanese camp would have been formed some time ago.

Chang Fa-kwei with his "Ironsides" has reached the Yangtze and is proceeding to Shanghai to "oust the Japs".

An ominous silence broods over the land, pregnant with dire potentiality. Lord Lytton's commission sailed the 13th.

[redacted], China Report No. 8214 February 16, 1932

2. Shanghai.

The Japanese Navy has bungled. Endeavoring to simulate the Army's action in Manchuria they have brought fresh life to the Chinese group which clamored for resistance. While they have not been defeated they have not met with success, and in the present instance it had to be victory or nothing.

The fighting in the Chapei and Woosung areas has been going on for two weeks. During this time the Japanese have not only failed to overcome the Chinese resistance in Chapei but have been unsuccessful in capturing the antiquated Woosung forts. It is not to be denied that the Japanese have not pressed their attack. They have been loath to sacrifice men on what looked like a bad chance. But to the Chinese the result is what counts. Though on February 15th Admiral Nomura reported officially a total of 80 killed and 450 wounded to that date, the most reputable Chinese paper in North China, the Ta Kung Pao, stated that in one day's fighting 8,000 Japanese had been killed, one cruiser sunk, and three airplanes brought down. On such strong broth is China's army being fed!

The attempts of the United States, British, French and Italian governments to bring a cessation of hostilities through the five-point note have met with failure, and were twice-over doomed to failure. In the first place, as we have often stated in the past, the Chinese and Manchurian questions are more or less distinct in both Chinese and Japanese minds, and the fifth point, which treated them as one issue, could not be accepted by Japan. Secondly, face has been lost. Japan has lost much more prestige than the Westerner can realize. She was regarded as invincible, invulnerable, and then the 19th Route Army, which comprises troops which though good are not China's best, turned her back. The face lost must be regained. She, in other words, must inflict a terrible defeat on Shanghai's defenders before she can hold up her head. In Asia face is more than prestige - it is almost life.

The Shanghai consuls have investigated and declared that since February 3rd war has been in progress. War has been in progress since September 18th. Camouflaged behind such words as incident, misunderstanding, controvery, a war is being waged which only Geneva fails to recognize.

The Japanese now have some 30,000 regular army troops and some 10,000 marines and sailors available for the attack on Chapei and the Woosung forts. Tanks have arrived in large numbers because in the street fighting in Chapei tanks will prove effective. Chinese troops are being reinforced, defenses strengthened.

The air is electric with suspense. A lull has come in the fighting and even the artillery duel is quieted. The duration of this period of comparative calm depends upon the rapidity of the Japanese preparation. When the Mikado again strikes he will strike in force.

The Japanese proposal for a Chinese withdrawal to points not less than 30 li from Shanghai has met with disapproval. The overture for the neutralization of trading centers is Utopian and child-like. With a seething interior the treaty ports can not remain centers of peace and quiet.

The American Consul-General in Shanghai wires that the International Settlement is in a precarious position whether the Japanese win or lose. In case the Japanese are defeated Chinese troops might and probably would attack the Settlement. In the event of a Japanese victory coming under the aegis of the Settlement, Chinese opinion will be more hostile than ever before to foreign control, and Chinese soldiers in defeat are no less unpleasant than in victory.

3. Manchuria.

On February 5th at five o'clock in the afternoon and after a short engagement, the Japanese troops under General Tamon entered Harbin. The Chinese troops under Ting Chao withdrew to the northeast, leaving Japan in control of all of the strategic centers of Manchuria save the Hingan Range. In spite of the statement that the 2nd Division was entering Harbin for the protection of Japanese nationals only, it still remains and has interested itself in the administrative functions of the city.

The branch of the C.E.R. from Harbin to Changchun has been opened to traffic since February 8th, but the efforts which have been made to reach an understanding over the Peking-Mukden Railroad have so far failed. During the past fortnight negotiations have been proceeding between the Japanese represented by Chinese intermediaries and the officials of the old organization. The Japanese apparently met the Chinese demands which included the reinstatement of all old railway employees outside Shanhaikuan; compensation for the losses suffered by these employees; and payment of all losses suffered by the railroad company. An agreement was reached to break the service at Shanhaikuan, having trains representing extra-mural and intra-mural organizations meet and transfer passengers at that point. These arrangements were reported to the National Government which rejected them on the grounds that the Japanese organization is illegal. For the present negotiations are at a standstill.

The guerilla warfare waged by the volunteers along the Peking-Mukden Railroad and the border of Jehol has died away and no reports of any clashes have been received during the past two weeks. It is believed that ammunition is short and that no serious difficulties will be experienced by the Japanese until the kaoliang is sufficiently high to cover troop movements in the autumn.

Reports from Tokyo indicate that either to-day or to-morrow (the 16th or 17th) the conference looking to the formal formation of a Manchurian government will open in Mukden. This plan is undoubtedly on foot as the various Chinese who have placed themselves under Japan's protection and control have assembled in the capital city. It is said that a Kuo Wu Yuan or cabinet is in the course of organization, and that it will embrace seven departments, viz: foreign affairs, military affairs, industrial affairs, civil administration, finance, education and judicial affairs. While the heads of these various administrations will be Chinese, the real power will be in the hands of the Japanese advisers and assistants who are legion.

A fait accompli will confront the Commission when it arrives in Manchuria. It is believed that by that time the average Chinese will not care for a change in government. Taxes will have been reduced, peace will reign, and the phlegmatic northerner will be content. He may even be making the sibilant hiss as he bows.

4. The Peripatetic Government.

With T. V. Soong and Dr. Lo Wen-kan in Nanking, part of the Executive Committee in Shanghai, a number of subordinate officers in Nanking, and the balance of the government commuting between Loyang, Kaifeng and Chengchow, and even to Nanking and back again, it is difficult to say where the capital is and of what it consists. Accustomed to the offices of Nanking, government officials resent the loess caves of Loyang and most of the nation's business is now being conducted on railway cars.

Reports have been received that the Waichiaopu, the Ministries of Railways and of Communications are coming back to the old capital. Were it not for the fact that Peking is no safer than Nanking and that many of the best troops in this section have been withdrawn to the Tientsin-Tangku area, this report would find credence. Many of Nanking's officials would be glad of an opportunity to return to the once hated Peking.

5. Communism.

Kanchow in Kiangsi, which so often has been menaced by Red-bandits, isagain being attacked. The militant Bishop O'Shea with some ten other Americans, although frequently warned to withdraw, is again in danger. Recent reports indicate that the present attack is more momentous than those of the past and O'Shea's plight is serious.

In Honan the 11th, 15th and 20th Route Armies have been moved south to the Sinyang-Nanyang (Honan) area to combat the growing strength of the Reds. Near Hankow depredations still continue.

A fact in the Red-bandit situation which is sometimes overlooked is that a large part of China's effectives must remain immobilized in Red areas regardless of what Japan does. These communists are not made of the same stuff as their French and German brothers who joined their respective armies against a foreign foe, and a stupid government makes no attempt to win their sympathy in the present crisis. They are regarded with as much fear by the government as though of an alien race.

6. Miscellaneous.

The Citroen Expedition. On February 12th the French expedition under M. Haardt, after braving the rigours of Central Asia and overcoming the difficulties placed in its way by Chinese officialdom, reached Peking. In place of the easier route through Russian Turkestan made impossible through national prejudice, they came by Irak, Afghanistan, the Valley of the Indus and across the Pamirs. Along the borders of China they were attacked by bandits. That the journey was completed successfully is credited by members of the expedition to the fact that machine guns were carried and sometimes employed.

The Chen-Tai Railroad. Under the loan agreement which gave the French the opportunity to construct and operate the narrow gauge railroad connecting Shihchiachuang and Taiyuanfu, the line was to be returned to China on February 1, 1932. Since the loan has been repaid by proceeds from the line there is apparently no reason why it should still remain in French hands.

Organizations in Taiyuanfu are clamoring for immediate retrocession, but it is reported that fresh loans have been made by the French which will postpone the final acquisition of the road by the Chinese. If this is the case the officials in Shansi who hope to recruit their narrowing incomes by pelf from railroad coffers may be expected to create trouble for the government.

This line has long been the model in China. Because of its gauge the rolling stock was safe from marauding warlords, and because of efficient French control it has always been a source of steady income. In Chinese hands it would rapidly go to pieces.

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No. 8214 1st Ind. NEM:elh

Office of the Military Attache, American Legation, Peiping, China, February 16, 1932 - To: The A. C. of S., G-2, War Department, Washington, D. C.

Forwarded.

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MIL. INTEL. DIV.
MAY 25 1932
2055-622
166
WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

February 17—March 1, 1932

1. General
2. The Battle for Shanghai
3. The Chinese Viewpoint
4. Manchuria
5. The Second Plenary Session
6. China's Vesuvius

RECEIVED G/2 W. D. MAR 29 1932

1. General.

Conceived in the dirtiest of politics, the defense of Shanghai is the one event in recent years which betokens the commencement of China's emancipation from the past. The battle at Shanghai was begun to lessen Chiang Kai-shek's prestige and is being continued because it has unexpectedly developed Japanese weakness and enormous popularity. The Canton clique headed by Sun Fo with Eugene Chen, the blatant mouth-piece, demanded war. Chiang Kai-shek counselled mediation with a preparation for war. Sun Fo ordered the 19th Route Army's resistance and is now on the crest of popular good-will because the Cantonese Army was successful. Other Chinese generals are jealous, - jealous not alone of the fame the Southerners have won but of the silver which is pouring into their campaign chests. Chiang Kai-shek, dependent upon Shanghai revenues for the support of his troops, finds his income diverted. But a small part of the necessary revenues are going to the Chengchow-Loyang area. Partly to assuage public opinion and partly to repair his revenues, Chiang is now supporting Tsai Ting-kai with his best divisions. His hand has been forced and he is still of the opinion that the time is not ripe for a Sino-Japanese war.

Hoping to create a diversion the Generalissimo ordered Li Chai-sum and Chen Kung-po, Minister of Communications, to Peiping to gain the Young Marshal's consent to a punitive expedition against Manchuria. Li Chai-sum was to be commander-in-chief and was to lead part of the old Kuominchun and other trustworthy troops into Jehol and towards Shanhaikuan. Chang Hsueh-liang, fearing the presence of outsiders in his area, volunteered to lead his armies himself, thus frustrating Chiang's plans and placing the punitive expedition for the recovery of Manchuria definitely upon the shelf.

There is no more heartily despised man in all China than Chang Hsueh-liang, and it seems as though he must assert himself soon or be irrevocably lost. Preparations for a punitive expedition are being made slowly and in two or three months may be complete. If however the Japanese initiate trouble in North China they will find a different foe than on September 18, 1931.

Reports in the Chinese press indicate that Japanese plans are afoot for taking over the intra-mural station of Shanhaikuan. Such action, or the landing of reinforcements at Tangku or Tientsin, would bring Chinese resistance.

The willingness of Japanese to enter into negotiations at this period is a concession to the potentialities of the situation. Russian troops are reported gathering at Vladivostok, the United States Navy has entered the Pacific, both Great Britain and the United States have shown unmistakable indications of "meddlesomeness", and a boycott has sprung up in America. In addition Japan's fighting forces are not finding their mission easy to fulfil. As the trouble was about to start in Shanghai the

Japanese admiral told a correspondent that it would "all be over in two or three hours". Over a month has gone by and still the Chinese dare to hold out! Japan finding explosives of little value hopes to gain more over the council table.

Unless the pourparlers at Shanghai are successful trouble will spread all over China. The masses are definitely for resistance. They have been shown at Shanghai that it is not futile, and crave the recognition which has always been denied them and which will be theirs in victory.

In Tientsin a member of a committee collecting funds for the 19th Route Army had an enlightening experience. His employees first contributed to the fund, which was more or less to be expected. Then his house coolie gave him $2.00, his boy $3.00, his amah $1.00, and a professional begger contributed forty cents! And this for Cantonese soldiers in far away Shanghai! No comment on such action is necessary. Given a long enough period of successful resistance China would become a nation.

But we are apt to be carried away by events. The defense of Shanghai, the whole-hearted spirit of resistance, the contribution by rich and poor, might lead us to think that China has changed. But even in Shanghai there is a defeatist undercurrent working with the Japanese. In the army there are not lacking those who would become "mai-kuo-tis" - sellers of their country. China improves but no transformation can come overnight.

2. <u>The Battle for Shanghai.</u>

Airplanes, smoke screens, tanks, a preponderance of automatic weapons and artillery have been of little avail to the much vaunted Japanese army in Shanghai. The attempt has been made to blast the Chinaman from his trenches, to bury him with metal, and to wreck his morale. A soldiery equipped in most instances with antiquated weapons but armed with an unexpected courage has over a favorable terrain made Japan pay for each inch of advance.

On February 18th General Uyeda, then in command of the Japanese punitive expedition, made the following demands on the 19th Army:

1. The 19th Route Army shall cease all hostilities and effect a complete withdrawal 20 kilometres from the borders of the International Settlement by sundown next Saturday, the 20th;
2. If the Chinese troops withdraw, the Japanese troops will not advance from the areas adjacent to Hongkew, nor open fire, bombard or pursue the Chinese;
3. All anti-Japanese activities shall cease;
4. A committee of investigation shall be despatched to ascertain whether or not the withdrawal has been completed;
5. The safety of Japanese lives and property shall be assured and all "plain-clothers" activities curbed;
6. The Japanese reserve the liberty to act if the above-mentioned demands are not accepted.

Although the demands named the 20th at sundown as the time for compliance, General Uyeda told correspondents on the 19th that if there were no signs of evacuation by the morning of the 20th his attack would commence then, - and commence it did.

With some 25,000 to 30,000 troops of the Japanese Imperial Army and 5,000 to 10,000 sailors the attack started at 7:30 a.m. on the 20th. All auxiliary weapons available were employed. The Japanese attacked valiantly but vainly. Chinese, well trained by the Germans who mastered

such fighting during the war, refused to run at a fusilade but under cover waited for the barrage to lift. When artillery fire ceased and the Japanese charge came, John Chinaman came up from his hole and opened up with a machine gun. The tactical use and employment of machine guns in the struggle is reminiscent of the Argonne. The machine gun is making up for a vast shortage in other mechanical equipment.

The Chinese soldier is not a coward. He is however more susceptible to first impressions than is ours. Given a success at the commencement of a battle he fights well, given a reverse he makes little showing.

The fighting on the 20th, 21st, 22nd and 23rd was sanguine and fierce. The Japanese gained ground and lost it again by Chinese counter-attacks. Artillery poured round after round into Chinese positions, airplanes loaded with bombs dropped them and came back for others. Kiangwan held out as had Chapei. There, at Kiangwan, about three and one-half miles north of the Settlement, the Japanese offensive spent itself for Chinese troops would not be dislodged.

At Kiangwan the 87th, 88th and 89th Divisions, the "bodyguard" divisions of Chiang Kai-shek, made good use of their German equipment and training, and although losing some 3,000 men did not evacuate until the 27th. This evacuation was made imperative by the Japanese turning movement to the north and by the unsanitary conditions in the town. The retreat was carried out under cover of darkness and was of only a mile to a newly constructed defense line. As these Comments are being written it is reported that the Japanese are landing troops at Liuho, northwest of Kiangwan. If this landing is made in force it will so threaten the Chinese lines of communication that a retreat will be necessary.

While there has been desultory fighting in both Chapei and along the Kiangwan front since the 23rd, the Japanese have merely been straightening out their lines in preparation for the arrival of the 11th and 14th Divisions, which are due March 1st and 2nd.

The Japanese naval air force is now about 200 strong and is being supplemented by the army. The Chinese airdromes at Hangchow and Hungjao have been bombed and destroyed. With the exception of one attempt by an American aviator, Chinese airmen have been willing during the past fortnight to concede the superiority of the air to the Nipponese. This American, Robert Short, on February 22nd took off from the Soochow airfield while some six or eight Japanese planes were overhead. He evidently killed one observer but was in turn brought down and killed himself. The Chinese official statement that he was flying for instructional purposes is typical and too flimsy for even American consumption, anxious as we are to excuse the event.

On February 29th, Wu Tieh-ch'eng, the Mayor of Shanghai, was presented another ultimatum. In case Chinese troops are transported via the Shanghai-Nanking or the Shanghai-Hangchow railways to aid in the defense of Shanghai, these two lines will be bombed and destroyed. The Chinese are given to March 2nd to cease these troop movements. Mayor Wu's reply states that the Japanese commenced the hostilities and have frequently brought reinforcements from Japan, and that the Chinese must continue to do the same in self-defense. He adds that if these lines are bombed the Japanese alone will be held responsible.

In accord with other Japanese ultimata this also demands that China take no measures for self-defense, but continue supine beneath Japan's iron-shod feet. To resist is to insult the Japanese Army!

While as this is being written an attempt at conciliation between the opposing army officers is taking place, the Chinese are continuing to rush troops to the front. The 6th, 9th, 14th and 47th Divisions as well as the "Ironsides", now but 3,000 to 4,000 strong, are being positioned in Japan's path. Japanese demands must be extremely mild ere the Chinese will accept them. Japan's inability to gain more than feet when she needs miles is a defeat in Asia's eyes.

From the Western standpoint the struggle at Shanghai has proved illuminating. In ring-side seats naval and military officers of the World Powers have been given gratis an exhibition of Japan's weakness, which all the military intelligence systems of the world could only estimate. Gunnery, both naval and military, has been atrocious. Airplanes have been used ineffectively and have given the impression of obsolescence. Shells and bombs have contained a large percentage of duds. In firing on the Woosung Forts not only did many shells land in the water midway to the forts, but the maneuvering of the vessels was amateurish. Full reports from our observers there should prove instructive.

It is not difficult to imagine that this exhibition will lessen the sound of the Japanese voice in the councils of the world.

3. <u>The Chinese Viewpoint</u>.

In the mind of the thinking Chinese a prolonged war with Japan would mean a Chinese victory. In the last analysis the belief in victory is the most important factor in determining a nation's willingness to fight. China is now morally prepared for war.

Neither China's strategists nor the man in the street expect any fulsome victories over Japanese armies. They hope and expect that attrition, the willingness to "eat bitterness", and their vast size and manpower will in the long run win for them.

Japan's finances are not too healthy. The Japanese budget as prepared by the Bank of Japan discloses that since 1920, i.e., the war years, 1923 was the only year which showed a surplus in national income. From 1924 to 1930 inclusive there was a deficit of 1,029,185,000 yen. The deficit for 1930 was probably larger than that in any of the years considered.

For the same period there was an excess of imports over exports of 2,489,319,000 yen. Large bond issues have already been made to carry on hostilities. Japan's chief export trade is with China and now is probably less than 40% of normal.

On the Chinese side there also is financial stringency but not nearly so great. China always has a war under way. What matters it then if instead of fighting their brothers they are now fighting an alien? The cost is somewhat higher it is true, but a country which has grown accustomed to wars can absorb more of them.

To maintain a Japanese soldier in the field requires a sum on which fifty Chinese soldiers can live in comparative luxury. The financial balance in a complicated modern state is delicate; in China there is a perpetual state of unbalance.

In the Yangtze Valley conditions are ideal for defense and Japan will pay dearly in men and in money for every yard won. In the North nothing more than a guerrilla warfare should be attempted which though not costing Japan much in men yet would be expensive in dollars.

A Chinese army will probably never be annihilated. Defeated it runs away and forms in another locality. There is no dishonor in defeat. To a Chinese army lines of communication mean much less than to a highly organized force. Cutting the lines of communication is a nuisance of course but does not mean disaster.

The Japanese army would fight against one-fourth of the human race. Kill one Chinese and ten more reach for his rifle. In the hinterland the Japanese would be ambushed, be cut from his supplies, would be practically helpless. Along the coast he would be able to maintain a strip of dangerous territory always subject to attack.

There is something massive in the idea of 470,000,000 million people. They are a sea which pushed down in one place rises in another. You kill a million and you have left 469,000,000 - the difference is negligible.

Japan would be defeated in a long war. And now it seems as though such a war would not take as much time as we thought.

4. Manchuria.

The new government called "Man Chou Kuo" or the Country of Manchuria, was reported in the press as officially promulgated on March 1st. Its status is apparently to be that of a republic for the time being with a change to a monarchy always available if such a step appears advantageous. Henry Pu Yi, the Boy Emperor, is the puppet and the Japanese manipulate the strings.

In Harbin the notorious Colonel Doihara behind curtains directs the administration which appears to be undergoing changes which will make a permanent difference in its status regardless of the government in the rest of Manchuria. It is proposed to hark back to the plan of 1914 which it will be remembered gives to all residents irrespective of nationality the power to elect delegates who in turn are empowered to appoint an executive committee for the control of municipal affairs. Such an arrangement, on its face at least, would seem the most equitable since the huge Russian community has had no control over municipal affairs in late years. The Japanese will of course endeavor to exercise the greatest control, and therein lies the danger. History has ever shown however that states and municipalities surrender privileges very grudgingly and perhaps a permanent blessing will be bestowed on Harbin.

Ting Chao and Li Tu after the fall of Harbin reported in the last Comments, retreated to the eastern section of the C.E.R. where the Japanese report they are ravaging the countryside. To suppress them as well as to subdue an uprising in Tunhua, the Japanese have despatched troops and demanded C.E.R. rolling stock. Some three trains have so far been reluctantly placed at their disposal. Karakhan, to whom the final request was made, pointed out Japanese aid to White Russian bands and quite bluntly demanded a statement of Japan's policy along the Siberian frontier.

Tokyo reports two army corps massing at Vladivostok and a general preparation for war from Trans-Baikal to the Maritime Provinces. Tokyo again exaggerates, although the U.S.S.R. is naturally an advocate of preparedness having as she does such a bellicose neighbor.

With China giving her so much trouble Japan for the nonce will do all she can to placate Russia. Russia wrapped up in her five-year plan is still not blind to possibilities and may be expected to embarrass Japan when and if she can do so with impunity.

A report within the last few days that the Central Executive Committee of the Chinese National Government has voted to re-establish friendly relations with Russia is important. Such a rapprochement would find little enthusiasm in Tokyo.

5. The Second Plenary Session.

Under the auspices and direction of the Central Kuomintang the Second Plenary Session of the Central Executive and Supervisory Committees opened at Loyang on March 1st. While the opening exercises will be held there the business sessions will take place at Kaifeng.

The Canton clique has refused to attend, contending that the meeting will be under the domination of Chiang Kai-shek and the pacifist element which wishes to postpone war. Yen Hsi-shan has once said he could not attend and again intimated that he might---the usual vacillation. The Young Marshal has sent representatives. Robbed of these powerful figures the conference will be as unrepresentative as usual.

While the agenda has not been made public it is certain that the meeting has been called to discuss plans vis-a-vis the Japanese.

Conflicting personalities such as Feng and Chiang do not promise much of accord. One is inclined to agree with a member of the C.E.C. who when declaring that he would not attend said, "This is no time for talking--we've done enough of that. It is now time to fight".

6. China's Vesuvius.

A well known Chinese sociologist, Dr. Hsü, estimated that 125 to 150 dollars per year is the least on which a Chinese family of five can maintain a minimum standard of living. He states that one-half of China's population lives below this poverty line. To this normal and pitiful condition late years have added constant warfare, one of the largest and most destructive floods of all time, and intermittent banditry. Taxes have been collected fifty years in advance in some areas. In others the fruit of the peasants toil has been bought with paper which later had no specie value.

The fate of the common Chinese is worse to-day than that of the French peasant before the Reign of Terror or of the Russian serf before the revolution. How much more can he bear?

The enormous growth of communism is a direct answer to the question. The peasant is vaguely beginning to realize his position. Vaguely he is groping for a remedy. Incoherently as yet he is muttering and groaning beneath his load, shifting it from sore shoulder to weakened back preparatory to crashing it to the earth.

One hundred years ago we could with easy conscience have ignored his plight. It could not affect us. But to-day can two hundred million people living in a state bordering on starvation and leading to desperation be disregarded? This is not the idle prattle of a sentimentalist. This thing is real and is dangerous. Before allowing Japan to increase the misery of the peasant until he has but one course---communism---the world had better balance the books of tomorrow. There is no isolation possible from a catastrophe so gigantic as this may be.

Figured in dollars and cents we must help. Reckoned in the no less important currency of human sympathy we must help. Calculated on the base grounds of fear we have no other recourse. Intervention is called for——first between Japan and China and next between the Chinese people and those awful succubi, the official and warlord.

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COMMENTS ON CURRENT EVENTS

March 2 - 29, 1932

1. General
2. Shanghai
3. The League Commission
4. The New State
5. Japanese Difficulties in Manchuria
6. The Japanese Domestic Situation
7. Miscellaneous

RECEIVED G/2 W. D. APR 27 1932

1. General.

Though hostilities have ceased in Shanghai they have been renewed with increased vigor in Manchuria. Japanese troops are constantly on the move from one extremity of the Three Eastern Provinces to the other, and seldom come to grips with the volunteers who are causing the trouble. As crops grow in the summer, so will this type of warfare increase, until the maximum is reached with the greatest height of the grains such as kaoliang and corn in the autumn.

The conference at Shanghai is regarded with little hope by the Chinese who feel that their enemies will not, as victors, be at all lenient. Nothing definite has been done so far except that both sides have agreed to an armistice.

The League of Nations Commission is now in Nanking where strong cups of propaganda are served at each party. Dr. Wellington Koo, their official mentor, has been objected to by Manchoukuo on the grounds that he is a Chinese official and as such can not enter Manchuria in his official capacity. Elaborate preparations are being made for Lord Lytton's party in Peiping, and the train which will carry them here is said to be a model of luxury with a private car for each chief member of the group.

With the strategic entrances into Siberia in Japan's hands Russia is watching her actions anxiously, although not with the apprehension felt before the Shanghai denouement. The precautions Russia is taking are but natural in the face of events and do not portend any but defensive measures.

Manchoukuo, with a flag, an organic law, a regent, a cabinet and advisers galore, has made its bow to its sister nations and anxiously awaits their recognition. Born of a mother who dares not acknowledge her and a father who repudiates her on every occasion, the child will meet with raised eyebrows in the highly moral family of nations.

2. Shanghai.

The combination on March 1st and 2nd of a fierce Japanese attack on the Kiangwan front and the landing of troops at Liuho brought the battle of Shanghai to a close. Chinese troops retreated in an orderly manner to the line Shatow-Taitsang-Anting followed though not pursued by the Japanese.

On the 3rd at 2:00 p.m. the advance of the invaders was halted by order, and on the 6th Chiang Kwang-nai, the commanding officer of the 19th Route Army, ordered his troops to cease hostilities but to hold their lines.

On March 3rd, sixteen members of the C.E.C. of the Kuomintang, among whom were Sun Fo and Eugene Chen, sent an open telegram to Wang Ching-wei and General Chiang Kai-shek blaming them for their failure to send adequate reinforcements to the 19th Route Army, thereby resulting in the latter's retreat from Shanghai and Woosung. The telegram went on to say that the conflict in Shanghai had a very important bearing on the resistance movement against Japan, that Japanese realization was shown by the fact that she had sent no less than 100,000 men to Shanghai during the past weeks. At first, the telegram stated, the Chinese defense forces consisted of only the 19th Route Army though later the 5th Route Army reinforced them thereby bringing their forces to 30,000-40,000 men only, so that all along they had an unequal fight against the invaders. Quoting a recent circular telegram from the 19th Route Army to the effect that its retreat was necessitated by lack of reinforcements, the sixteen Cantonese leaders asserted that the Central authorities cannot escape their responsibility. The closing paragraphs follow:

> "The mistakes of the past cannot be retrieved, but something can still be done in regard to the future. At the risk of exhausting your patience, we want to tender you a final word of advice.
>
> "Both the Party and the Government have reached the most critical moment in their history. If the authorities cannot get rid once for all of their pusillanimous and self-complacent attitude toward the enemy, then it will not only be difficult for the Government to suppress the indignation of the people, but these members of the party who share our views can hardly be expected to assume joint responsibility with the Government for the misfortunes brought upon the nation. It is impossible for us to describe adequately the effects of the Shanghai situation on the country. In our opinion, the imperative task of the Government is to rush reinforcements to Shanghai and Woosung at once to effect the recovery of lost territories. On the other hand, the Government should formulate a positive policy so as to carry on a prolonged resistance against Japan. This is the only way of salvation for China. If the authorities still waver and vacillate, then the dangers ahead will be too grave for us to describe. Upon your shoulder rests the duty of retrieving the situation."

From this telegram one can not escape the belief that the battle which began in domestic politics ended in inter-party animosity (see Report No. 8228). Even as late as March 25th the Canton party circularized the diplomatic representatives stationed in China with a pamphlet entitled "Democracy vs Dictatorship" in which Chiang Kai-shek is pilloried in no uncertain terms. It is to be hoped that the animosity between Chiang and Canton will not affect the outcome of the peace conference, and it is recognized that Chen Chi-tang's assistance against the Kiangsi communists is a valuable contribution to Nanking's cause and may well herald a period of actual co-operation.

The military phase of the occupation of Shanghai was practically completed with the Chinese breakdown and retreat on the 2nd. Since then there have been minor skirmishes between outposts and patrols but no engagements have been fought.

The news of the Japanese success was received in Shanghai and even in Peiping as a Chinese victory on March 4th. It was reported that 10,000 Nipponese had been killed and that the commander of the Japanese forces had committed suicide because of the defeat. The invaders had been driven back into the settlement and were about to be forced into the sea. Shanghai went mad. Thousands of half-naked Chinamen paraded the streets in a frenzy of implacable hate, waving flags and setting fire to tons of firecrackers. The authorities at one time feared the celebration might take an anti-foreign turn, but at last it burned itself out and the following morning brought the somber truth.

Since it became apparent that the Japanese would not press their advantage, informal conferences between the Japanese and Chinese, sponsored largely by Sir Miles Lampson, have been of almost daily occurrence. The first of these meetings between the principals took place on the 14th between the Japanese Minister, Mr. Shigemitsu, and Kuo Tai-chi.

On the 16th it was reported that a provisional agreement had been reached which provided that:

1. The Chinese troops will remain in their present positions beyond the 20-kilometre zone, while the Japanese forces will withdraw from the occupied territory.
2. The evacuated areas will be policed and administered by the Chinese authorities.
3. A joint Sino-Japanese committee will be formed to supervise, with the assistance of neutral representatives, the withdrawal of the Japanese forces and the administration of the evacuated areas.

In arriving upon common grounds the wording of the League of Nations resolution of March 4th, which has been accepted by both parties, has proven fertile of argument. This resolution calls for negotiations between China and Japan "with a view to making a cessation of hostilities definite and to arrange for the withdrawal of the Japanese forces". The Chinese of course demand the withdrawal prior to negotiations while the Japanese desire negotiations covering the withdrawal.

The provisional agreement in the foregoing paragraph has been repudiated by the Japanese Government. Japan is now in the throes of domestic difficulties in which it is likely that the military party will seize power making the tone towards China more severe.

On the 19th the Government despatched to Mr. Shigemitsu the following instructions, which have since been nullified by more severe demands, as a basis for final arrangements:

(a) The Chinese troops shall not advance from their present position.
(b) The Japanese troops will withdraw within the International Settlement, though owing to the insufficient space for the troops, the whole of them will not be concentrated within the Settlement, and some troops will be stationed along the Shanghai-Woosung line.

(c) A committee shall be organized consisting of Japanese, Chinese and neutrals, in order to watch the execution of the above two items and the guarding of the areas evacuated by the Japanese troops.

The first formal conference was scheduled for the 23rd but Chiang Kwang-nai, the Chinese delegate, did not appear and it was postponed to the 24th. On that date General Tai Chi appeared as delegate and the first formal meeting was held.

The first day was given to general discussions, but on the 25th the Japanese announced that by withdrawal they meant a partial withdrawal to Chenju, Tachang, Yangheng, and Shihtze-ling. This bombshell almost brought the end of negotiations, and certainly would have had not the foreigners present persuaded the Chinese not to withdraw.

On the 26th no results were obtained but a military sub-committee was appointed to discuss the withdrawal of troops. It is reported that the Japanese delegate to this committee, Major General Tashiro, Chief of Staff of the Japanese Army, modified the former Japanese position somewhat by stating that a withdrawal to Woosung, Kiangnan, and Chapei would be acceptable. Typical oriental bargaining.

At the last meeting before this report was submitted a cessation of hostilities was agreed upon. Much bickering anent the withdrawal of troops is yet to be expected.

The Chinese pin little hope on a favorable outcome of the conference. They are in the somewhat dubious position of having lost in war and expecting to win over the council table. Japan is anxious to forget the Shanghai incident and to get the boycott settled without further cost. The representatives of the League and of the diplomats stationed in China are anxious to have a settlement to vindicate the League and to hasten a return to the status quo in Shanghai business life. The economic side of the Shanghai affair is, in the last analysis, what lends it importance in foreign eyes. Had the fighting been confined to Honan or some other interior district away from foreign investments, not much publicity would have accrued. But Shanghai is the economic thrust-bearing of foreign investment in Asia, and publicity and interest are in direct ratio to the dollars involved.

The likelihood of a successful conclusion of the conversations in Shanghai is greatly enhanced because of foreign interest. China and Japan would perhaps rather settle their own difficulties but foreign business must go on uninterruptedly.

3. The League Commission.

Welcomed by Dr. Wellington Koo, Kuo Tai-chi, Wu Tieh-cheng and representatives of the various foreign powers, Lord Lytton's commission disembarked at Shanghai on March 14th. Signs such as "What we ask is justice" and "China Upholds the Nine-Power Treaty" were to be seen in every store window and Shanghai was in a festive mood.

In Shanghai calls were exchanged, many indigestible meals eaten, speeches made, and the scenes of recent fighting visited. Lord Lytton has enlivened the tour by strewing pearls of wisdom along the way, not all of which have been appreciated.

In Osaka he remarked that the Sino-Japanese dispute could be easily settled if both countries appointed their delegates from among the Chambers of Commerce and industry, and left the negotiations in their hands.

In Shanghai he agreed that justice was the only soil in which the plant of peace can flourish, but that justice was not the same thing as judgment. That it was true that judgment was often pronounced by a Court of Justice, but the atmosphere of justice could not be secured by one nation passing judgment on another. "Justice between States is, I think, a reciprocal relationship. It can only be secured by considering the needs and interests of all States that are in that relationship with each other."

Replying to a toast at a University Association luncheon, Lord Lytton made certain general observations on the underlying principles of the League. It was, he said, the purpose of the League to remove fear from the mentality of its States members by guaranteeing to them protection from aggression and the maintenance of justice. "But in return the League expects that its members shall have peace in their hearts and not only in their mouths. It is not possible for any nation to cultivate hatred and hostility toward other countries and then to expect the League to step in and save them from the consequences of that attitude. The League expects all its member-States to feel that it is not in the power of any other State to injure them, but at the same time it requires members to refrain from all forms of injury to others".

In Osaka Lord Lytton's remarks did not sit well with the military who are daily growing in power, and in Shanghai the Chinese did not appreciate the relevance of the statements concerning the cultivation of hatred and hostility. The cap was fit in each case.

On March 27th the Commission reached Nanking where the government will endeavor to introduce prophylactic vaccines against the dangers of Japanese infection in Manchuria. Along the Commission's route "anti" signs of all descriptions have been removed. Faces, both Japanese and Chinese, have been composed in oriental piety, evil thoughts have been set aside and a general attitude adopted of "jest 'fore Christmas I'm as good as I kin be".

Composed of capable men, well informed by their governments and local nationals on the situation, and representing the most powerful of the nations in the world, the Commission is a potent body. But it faces a tremendous task. No matter how capably, how justly it tackles its job it can't be right. Justice in Asia means favoritism. No matter how fair the Commission's verdict may be it will offend the Chinese or the Japanese, and probably both. Fair play and justice as taught in the games of our youth are not recognized here. To be just to either party the Commission must favor it.

4. <u>The New State</u>.

Though the press, as stated in the last Comments, reported the official promulgation of Manchoukuo as of March 1st, the final step was not taken until the 9th when the ex-Emperor, Hsuan Tung, was installed as Chief Executive at Changchun, the

new capital. En route from the station to the municipal headquarters many Chinese kow-towed as his motor passed by bringing memories of years long dead, and the observation that the past still holds victims in its invisible clutches. Throughout the ceremony General Honjo received equal honors with Hsuan Tung, and even the arm bands given pressmen were marked "Kwangtung Army Headquarters". The inaugural ceremony was celebrated in Mukden by fires of incendiary origin.

On the 12th the SS "Liangshing", a vessel of 1800 tons belonging to the Fuchowan coal mines, sailed carrying the new flag, which is made up of a four barred canton on a yellow field. This flag with its five colors is the old flag of the Chinese republic in different form. As in the old flag the five races of China are represented, the yellow, Manchu; the red, Chinese; the blue, Mongol; the black, Turk; and the white, Mohammedan. The preponderance of yellow is in deference to Henry Pu Yi, the Manchu, and the monarchial idea.

With the appointment of a cabinet, civil governors of provinces, and a full complement of minor officials, Manchoukuo is ready under Japan's protection to commence functioning. Japanese advisers are very much in evidence and while nominally Henry Pu Yi may be in power he undoubtedly does not have as much freedom of action as he did in Tientsin.

This attempt by Japan's militarists to turn the clock backwards, and in this day and age to set up an anachronistic form of government will be regarded with interest. Most publicists seem united in believing that it can not be done. Of that we are not sure. The ideas of the Kuomintang have never permeated Manchuria. The conservative class is still in the feudal ages and the progressives have not only demonstrated their lack of ability but are in a hopeless minority. The Chinaman in Manchuria is apathetic. He asks peace in which to trade and to till the soil, moderation in taxes, and little else. Great national issues mean little to him because he is not a nationalist. Shanghai and Canton are not comparable to Manchuria.

Many knotty questions confront the new government. The Customs, the Salt, the Posts, the Chinese Eastern Railway, are all international issues. Handled in the typically stupid Japanese army manner they will mean trouble.

According to the Manchuria Daily News (official English organ of the Kwangtung Government) the new government decided on March 24th to take control of the customs houses in Antung, Yingkow, Harbin, Lungchingtsun, Aigun and Dairen. The cabinet decision follows:

> "Manchukuo government will retain the existing Customs system under the Chinese Republic in Manchoukuo, together with the existing export and import tariffs for the present.
>
> "Of Customs receipts, what is due towards the existing foreign loans, for which the specified portion of the Customs receipts is set apart for security, shall be remitted to the Chinese Customs Inspectorate-General each month, as the case has heretofore been.

"The surplus left after deducting the above shall be made receipts of Manchoukuo.

"In passing, the Dairen Customs lying under Japanese administration cannot be taken over just yet, and the Dairen Customs receipts, which form the bulk of the Customs revenue of Manchoukuo, being unavailable, negotiations are to be opened with the Chinese Inspectorate General, Shanghai, shortly, concerning the matter.

"In consequence of the above Cabinet Council, Manchoukuo government in the name of Finance Minister Hsi Hsia (Kirin Governor) is going to declare the independence of the Customs in Manchoukuo soon to the effect:

"1. Manchoukuo in the exercise of the Customs autonomy shall control the administration of the Customs houses at Yingkow, Antung, Dairen, Harbin, Lungchingtsun (Chientao) and Aigun.

"2. The portion of the Customs revenue specified as the security for the existing foreign loans, shall be set aside and repaid as heretofore.

"3. The existing Customs tariff and the procedure of tax collection shall be retained."

Japan's defense in the new state case is contained in an exchange of notes between China and Japan, the Chinese note being sent on March 1st. Because it is thought that these same sentiments may be expressed again, the Nippon Dempo version of these notes is quoted in full:

Chinese Note

"1. The establishment of the new Government in Four Eastern Provinces is a consequence of the Japanese military movements and its assistance, therefore, it is a violation of Nine-Power Treaty.

"2. The fact that the Japanese Government assisted theestablishment of the Manchoukuo Government was declared by Mr. Sato, Japanese delegate to the League Assembly, at the end of February."

Japanese Note

"1. The allegation that the Japanese Government is responsible for the establishment of the Manchoukuo Government and that this is a violation of Nine-Power Treaty is not reasonable, as the movement to preserve peace and order was started by the people when Manchuria created a state of non-Government as a consequence of the downfall of the old militarist, Chang Hsueh-liang, owing to the self-protective Japanese Military movements. The movement of preserving peace and order was accepted with good will by the Japanese Government, though as it was started due to the antagonism of the people against the old militarist and it was changed to a movement of the establishment of a Government, the Japanese Government severed relations with it and took the attitude of non-interference.

"2. The Japanese Government desires the establishment of a strong Government in Four Eastern Provinces, where Japan has big interests. Therefore, the Japanese Government is sympathetic with the growth of the newly established Government, though it never rendered any assistance nor will it help in the future. The declaration of Mr. Sato has no meaning except that the Japanese Government is sympathetic with the above movement.

The latest acts of the new government are in the realms of education and finance. In the former a decree has been promulgated making Japanese compulsory in the schools and calling for a revision of the school books which contained much anti-Japanese matter.

In finance a Central Bank has been established which will amalgamate the existing provincial and the Frontier Banks. Since the Bank of China and of Communications are "foreign" banks, they are no longer to have the right of bank-note issue, and outstanding notes must be recalled.

The last report is to the effect that the province of "Hingan" will be added to the country. This evidently will include Hailar and the Hingan range, which we have long maintained must for strategical reasons be in Japanese hands.

5. Japanese Difficulties in Manchuria.

Situation Reports No. 8242 and 8247 give in detail accounts of the uprisings against the Japanese that have been and are taking place all over Manchuria. The general picture is a mosaic of unrest.

From Manchuli on the west to Taheiho on the north, to Suifenho and Imienpo on the east and to Tahushan and Suichung on the south, the inauguration of the new government has been marked by riots and mutiny. The various Volunteer Corps acting in a suspiciously well-synchronized manner are fomenting trouble all over the country. As time goes on what the Japanese call banditry is increasing rather than diminishing.

In the neighborhood of Mukden marauding bands are so numerous that field guns have been mounted on the city walls. In Inner Mongolia, Prince Chai's domains broke out in rebellion while he was attending the inaugural ceremonies in Changchun.

Russia is enlarging her forces along the frontier and her efforts to buy grain in Manchuria have been halted by government mandate. Russia's attitude has stiffened.

It is believed that before the Shanghai fiasco Japan could have gone the limit of seizing Siberian territory without Russian retaliation. But Shanghai showed Russia and her army that Japan was not as formidable as she thought. Russia will no longer view with equanimity loss of territory or flagrant insults. Even now Japan occupies all of the strategical avenues of approach to Siberia, and Russia reinforces her troops.

Not only has Japan to quell serious uprisings all over her new territory but she must also watch Russia and endeavor to placate the League Commission. Her sensible move would have been to place a Chinese official with Chinese Government consent, no matter how powerless or incompetent, on her newly constructed throne. But she has made Manchoukuo independent. Are the nations of the world to go back on their solemn words? Will they forget that they have pledged China's integrity? They cannot.

Japan has forgotten that we too have face. In this time of economic distress our face might be saved by the expedient of a Chinese overlord even though Japanese controlled. We might have put our tongues in our cheeks, crossed our fingers, and overlooked much. But Japan is foolishly asking for trouble. Her army is bereft of political judgment and psychological insight.

6. The Japanese Domestic Situation.

Conditions which may compel Japan to adopt a less truculent air towards China may be divided into economic and social. The economic side has been described in some detail. We have called attention to Japan's unfavorable trade balance and to her inability to balance her budget.

After the war Japan had nearly 700,000,000 gold dollars in foreign balances in London and New York, but to-day sees this all wiped out. Ninety per cent. of her normal trade is with China, and now the boycott has obliterated most of this. One-third of her export trade is with the United States and of this nine-tenths is in raw silk. If through hard times or sentimental reasons the American woman ceases to buy silk the effect in Japan would be enormous. Ninety million yen has already been spent at Shanghai and domestic loans of four hundred million are, according to the press, in process of being written.

On the social side war enthusiasm may carry the government along for some time but basically the condition is as poor as the economic. Appearances indicate that the rift between the Suzuki faction and the members of the government opposed to it will widen and that a military dictatorship may be installed.

General Shirakawa in his farewell message to Japanese troops leaving Shanghai for home urged them to prepare for greater emergencies in the future. His message concluded with these significant words:

> "Conditions at home and abroad increase in difficulty day by day and the responsibility of the imperial troops in the face of these circumstances is mounting. Even upon your return home, you - who are going back by order of the Government - have to train yourselves sufficiently to be ready to rally to the call immediately when things should happen. Only thus can you answer to His Majesty's reliance upon you".

General Araki, the Minister of War, in a speech in the Diet reported on March 22nd, declared that the profundity of the questions involved rendered the situation "even more serious to Japan than the Russo-Japanese war in certain respects".

The Japanese people are at present more likely to be the victims of a Fascist uprising than they are participants in a revolution. But the seeds of discontent have been sown and may not always be kept from germination by police surveillance.

7. Miscellaneous.

National Emergency Conference. It may be remembered that at the meeting of the Plenary Session of the Kuomintang Committees held during the last days of December 1931 under Cantonese auspices, that it was voted to hold a National Emergency Conference. The conference was originally scheduled for February 11th but due to the trouble in Shanghai was postponed to April 1st. Now since the League Commission will be in Nanking on April 1st the meeting has again been postponed, this time to April 7th. Loyang, to the chagrin of Shanghai delegates, has been chosen as the rallying point.

The non-Kuomintang delegates from the North have already prepared a memorandum setting forth the points they intend to stress at the conference. Most important of these are: Denunciation of one-party government; denunciation of government failure to carry out high-sounding promises made to the Chinese people; denunciation of Kuomintang tyranny and dictatorship; and a demand for the immediate adoption of the budget system.

Dr. Chu Min-yi, Secretary General to the Executive Yuan, has told the press that "to a certain point" freedom of speech in the meeting will be allowed. If this is true good will come of the conference.

Feng Yu-hsiang. The "Christian General", after refusing the portfolio of Minister of the Interior, has retired with a "sore throat" to Taianfu, Shantung, famous as resting place of the great Confucius. His retirement is believed to be due to his disagreement with the policy of the government which to his way of thinking is too weak. That he has chosen Han Fu-chu's area is significant and may mean that former chief and first lieutenant are again on an intimate footing.

The Shanghai Elections. One American member, Mr. Carney, lost his seat on the Shanghai Municipal Council during the elections last week, although the Americans had made an agreement with the British that two seats on the board should always be filled by Americans. The unseating of Mr. Carney seems to token an Anglo-Japanese alignment in Shanghai, which in turn means a stiffening of the die-hard policy so prevalent in that port.

Ken Wang. Brigadier General Ken Wang, graduate of the United States Military Academy, is reported by Nippon Dempo, and by foreign sources, to have been executed in Nanking by the order of a military courts-martial. No official confirmation has been received.

It will be recalled that General Wang, mistaking the Japanese for the American Consulate in Shanghai, calmly walked into the hands of the Japanese on February 27th. When he saw his mistake and after he had introduced himself as a Chinese General he beat a hasty retreat but was pursued by Japanese who relieved him of his despatch case when he had taken refuge in the Astor Hotel.

While it has been alleged that Wang carried plans of military importance it is generally believed that the papers in his brief case were contracts for munitions and military supplies. His execution, if actually a fact, is believed to be

for absence from his post without authority as much as for having papers in his possession.

The Yunnan Murderers. It will be recalled that on March 15, 1931, two American ladies were murdered in a particularly awful manner in Yunnanfu. The two murderers were apprehended and in recent Comments mention was made of the tardiness attending their punishment. On February 27th, 1932, one of the miscreants escaped from prison, and the other still awaits justice.

Resignations. Among other resolutions passed by the Plenary Session of the Kuomintang which sat in Loyang from March 1st to March 6th was one prohibiting government officials holding concurrent military and civil posts. This resolution has been passed in every Congress and Plenary Session that we remember, and no attention was ever paid it. Governors of provinces continued in person to control the armies in their domains as though Nanking had never spoken.

For some reason unknown to this office this last resolution met almost immediate response. Generals Fu Tso-yu, Han Fu-chu, Liu Chih, Lu Ti-ping and Ho Cheng-chun resigned as governors of Suiyuan, Shantung, Honan, Chekiang and Hupeh provinces respectively. In addition Marshal Chang Hsueh-liang resigned as Chairman of the Peiping Political Council.

With the exception of Ho Cheng-chun, whose resignation was accepted, Wang Ching-wei has prevailed upon the others to continue in office during the present emergency.

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CONFIDENTIAL 6-1

COMMENTS ON CURRENT EVENTS

March 30 — April 26, 1932

RECEIVED G/2 W. D. MAY 24 1932

1. General
2. The League Commission
3. Manchuria
4. Japan and the Soviet
5. The National Emergency Conference
6. The Crisis in Fukien
7. Miscellaneous

1. General.

With the end of hostilities at Shanghai warfare ceased throughout China proper, and except for occasional skirmishes between government and communist troops we are confronted with the unusual spectacle of peace. This peace may well continue until the League Commission has sailed, but then the long pent up feelings of jealousy, ambition and hatred, constrained now because of Lord Lytton's presence, will again break loose.

To the casual eye the lack of strife might betoken a strengthened government, or a government which, taking advantage of the lull, was building up its strength. But the opposite is the case. At no time since the march from Canton has the government controlled so little territory or been of less moment in the minds of the people. Chiang Kai-shek still controls Nanking it is true, but Nanking's power has been circumscribed by the recent events at Shanghai. While the latter port was once Chiang's main source of income, it now gives its chief allegiance and support to Tsai Ting-kai and the 19th Route Army. Canton is no longer remitting funds and though rendering lip service is practically autonomous. Hankow is resembling more and more an oasis whose boundaries are being gradually pushed back by the inexorable sands of communism. Peiping and Tientsin are so far from helping Nanking that the taxes in this area are insufficient to pay the Young Marshal's own troops.

The only vital, growing orgasm in the present Chinese political structure, though alien, is communism. The government and the Kuomintang are reactionary, ineffective and becoming impotent. Communism has selected the fertile Yangtze Valley as its home and from that overcrowded district is spreading in all directions. The news has reached the people that the government set up in the sovietized hsiens is better than any they have known. That a peasant is treated as a man and accorded his rights. That the grasping landlord and the avaricious tax collector have been replaced by free land and benevolent officials. And to Nanking and capitalism in general this news is particularly disquieting because it is true. Officials may point the finger of scorn at Russia and laugh at the five-year plan, but in their hearts they know that Ivan Ivanovitch is better off than he was prior to the revolution, and what is more to the point, John Chinaman knows it as well.

The picture that we have been trying to paint of China since 1927 has been hazy and ill-defined because the elements we were placing upon the canvas were nebulous and indistinct. But that picture to-day may be made clearer. China has lost its power of self-direction. China to-day may do this or become that, but only as forces outside of China demand. Left to herself she will drift as she has drifted. Change may come through the U.S.S.R., through Japan, or through the League of Nations, but of herself China can make no change. As a dynamic force China has become a nonentity. As a plaything of forces impinging on her shores she becomes an intricate and a delicate problem.

Foreign governments whose Far Eastern policy does not definitely recognize these facts will in the future suffer loss of trade, of prestige, and of opportunity. The time for "lending China a helping hand" is passing, as the conviction is growing and the evidence accumulating that China has not the fulcrum on which to rest our lever.

2. <u>The League Commission</u>.

Arriving in Peiping on April 9th and leaving on April 19th the Commission of Inquiry has heard in full China's side of the Manchurian issue. Chang Hsueh-liang, in person, and all other important members of the ousted clique appeared before the investigators and fighting for their fortunes and homes put their case in its best light. The Young Marshal did not condone his mistakes but admitted many of them, thereby creating a very favorable impression. He surprised the Commission by a very comprehensive understanding of the internal conditions of Manchuria, and showed more specific knowledge of such matters as railways than did his railway staff.

The average Chinaman, and certainly most foreigners, believe that the League Commission is doomed to failure. This is due to the fact, I believe, that they have not understood the goal. If the goal is to "kick the Japanese out of Manchuria" they are indeed doomed to failure. But what the Commission can and probably will do will be to draw up resolutions, which though probably unacceptable to either party, will prove a basis for further negotiations. Too it can and has centered the attention of the world on Manchuria and will thereby cause Japan to remember constantly that all of her actions are in the limelight and so must at least appear to be the actions of a civilized power.

Japan will withdraw from Manchuria on condition that she receives assurances that:

1. Her legitimate economic enterprises and aspirations will not be hindered.
2. That the land problem, involving purchase and rental of lands, be settled in her favor.
3. That Russian domination of North Manchuria will be checked.
4. That the boycott be stopped.
5. That the railway question involving the parallel lines and her strategic line Tunhua-Kanei be settled to her satisfaction.
6. That her nationals be protected.
7. That the so called Mukden clique never return to power.

Of course the joker lies in the assurances. No government in China could give such guarantees, although it is believed that if Nanking were given the opportunity the effort might be made.

To the impartial observer the majority of the seven points above seem just and fair. To the Commission they must also seem just and fair. Then how "kick Japan out of Manchuria?"

The League of Nations Commission will do an immense amount of good if Japan and China, through its instrumentality, can meet over the council table. Not much more should be expected.

3. Manchuria.

Conditions in Manchuria which in the last Comments were described as hectic have been growing more alarming. Japan has found an unsuspected spring of resistance, and the further she wades the deeper grows the water.

The forty odd thousand troops now in Manchuria are unable to cope with the situation and reports from Tokyo indicate that reinforcements of at least seven more divisions are to be made shortly.

Sanguinary fighting which developed during the early days of the month at Nungan, and in the Fangchen-Sansing and Chientao areas, showed the Japanese conclusively that their Chinese allies have no heart when fighting under the Rising Sun. Japanese troops finally were rushed to these regions after the vanguards composed of Manchoukuo troops had been decisively defeated.

The eastern section of the Chinese Eastern Railway is now in a state of chaos. Wang Te-lin has assumed command of the troops in this area with Li Tu as second in command. Under these generals are some 5000 well equipped troops, but in the area through which they are operating are many thousand independent guerrillas who in the main function under Wang Te-lin's direction. Towns from Imienpo to Shihtaohotze are ablaze and Harbin is filling with refugees.

A punitive expedition consisting of native troops was sent against Wang during the middle of the month, but according to Japanese reports, which in this case at least may be credited, they surrendered en masse on about the 20th. Japanese troops are now moving against this "old Kirin" groupement but are experiencing tremendous difficulties with transport since the spring thaw has made a morass of the country roads.

On the 22nd of the month about 3000 "patriots" stormed a place near Taolaichao on the southern branch of the C. E. R. but were dislodged the next day. Japanese troops advancing by rail along the eastern branch of the C.E.R. within the last week found the track torn up behind them and but for the timely arrival of reinforcements might have suffered a disaster.

Two reports from Japanese sources are extremely important. In the first, General Tamon, whose frankness has often embarrassed Honjo, said that it would take 100,000 troops two or three years to clear up the situation in Manchuria. Then Rengo reported that during the month of March alone there were 613 raids on towns along the South Manchuria Railway.

The military adventure which began for Japan so happily in Mukden has struck a snag. That the Commission's visit has a deal to do with the present crescendo of anti-Japism is not to be doubted, but the Islanders are finding a great difference between the Chinaman and the Korean.

Ma Chan-shan has again changed sides, and in a telegram to the League Commission has denounced Japan and Manchoukuo, making another shift of colors difficult even for him. The doings of this chameleon-like mountebank are fast losing import, and such interest as they still have is due to their strangeness in Western eyes. A flea who jumps from back to back and cares not that his host be Chinese, Muscovite or Jap, - such is Ma Chan-shan.

4. Japan and the Soviet.

Tass and Rengo are now involved in a heated and hearty war of words, and since each is the official mouthpiece of its government charge and counter-charge become important. Russia claims that troubles along the C.E.R. are being caused by White Guardists at Japanese instigation, while Japan states Soviet agents are again at their dark deeds. Russia says that her protests of innocence find no space in the Japanese press which is assiduously cultivating anti-Soviet feeling, while Japan "views with alarm" the reinforcement of the Siberian garrison.

Perhaps Russia's most astute move during the recent days was in ordering the deportation of the Chinese Consul at Blagovestchensk who broadcast Ma Chan-shan's manifesto to the world and to the League Commission. Russia's action came before Japan had time to protest and drew the sting of any possible retort, although Japan and the world are convinced that the Chinese Consul most certainly received Russian consent before he sent the message.

This play of propaganda in the press is for world consumption and a bid for world support. Japan finds it a difficult game to play since her actions so often belie her words. She is working towards a definite goal and can scarcely shield her movements behind the smoke screen she endeavors to set up.

Russia's only actions have been passive. She withdrew a large part of the rolling stock of the C.E.R., but since it was her Japan can not protest. She is increasing her garrison, but even Japan states for purposes of defense.

Japan is endeavoring to set up a buffer state not only between communism and Japan but between communism and China. She realizes that her actions have drawn China closer to Russia than she has been since 1926. She realizes that a clash with Russia would mean the rapid formation of a Soviet-Chinese entente.

The Japanese military party deems a war with the Soviet inevitable and the present the time to wage it. Only a despotic government such as Japan's can choose the time for its wars. Whether Japan has made her choice will be evident within the next few months. Friction is now increasing and the potentialities along the Soviet frontier are enormous.

5. The National Emergency Conference.

Opening at Loyang on April 7th and adjourning on the 12th, the National Emergency Conference was a dismal failure. Of the 300 delegates only about one hundred attended, the others remaining away because the government refused to have questions brought up for discussion pertaining to the abolition of the monopolistic party system of government and the early establishment of a constitutional form in its stead.

In spite of the fact, however, that the original agenda embodied only three topics——resistance to foreign aggression, relief of famine and flood, and restoration of peace and order——the question of one-party rule did come up for discussion.

The resolutions passed at the conference included one advising the government "to close on time the period of political tutelage" and to call a People's Congress not later than October 10th of this year to discuss important affairs of state.

Beyond this the conference concluded that foreign aggression must be met by force or diplomatic means, and petitioned the government to punish Chang Hsueh-liang for having adopted the policy of non-resistance vis-a-vis the Japanese invasion of Manchuria.

Beyond passing these few and meaningless resolutions the conference did nothing. Many Chinese are coming to believe that this is the time for action not words, and are looking askance at the series of Salvation Conferences, People's Congresses, Plenary Sessions and Emergency Conferences which are extravagant of word and miserly of deed.

6. The Crisis in Fukien.

It will be recalled that about five months ago a part of Sun Lien-chung's 26th Route Army revolted while he was away in Nanking. This group consisting of about 20,000 men entered Fukien, not as bandits or as communists but as a well disciplined group dissatisfied with their lot and in search of a lucrative area in which to establish themselves. Incidents of this kind are not uncommon in China.

Some time after their advent in Fukien it was reported that there had been another break up and 5,000 of Sun Lien-chung's erstwhile command had separated themselves from the 15,000 and had thrown in their lot with the Reds.

On April 9th the town of Lungyen, northwest of Amoy, was captured by Sun's old forces and two regiments of government troops were defeated. Reports of this incident did not reach Peiping until the 14th. After the 14th news came that the district half way between Lungyen and Changchow had fallen and that Sun's old army was moving on Changchow and Anki.

Changchow fell during the evening of the 19th and Governor Chang Chen's loyal troops split and retreated north to Tungnan and south to Changpu. Amoy was thrown in confusion, seven foreign warships arrived and preparations were made for an expected attack.

Reports from the American Consul at Amoy are at variance with those from Japanese and Chinese sources. The latter both state that Sun's old troops, now known as the 15th Red Army, are cooperating with the 1st Red Army under Chu Teh and the 4th under Lin Piao. The reports of the former indicate that Sun's troops are acting independently and are conducting themselves in a well ordered manner.

The truth lies somewhat between these reports. Sun's old troops are of the best and consist of well disciplined veterans with good equipment. They may be cooperating for the time being but can not be counted as Red without further evidence. Red armies may be expected to take advantage of any unrest and can well be operating independently of the former Kuominchun contingent.

Latest reports indicate that twenty hsien are now in Red hands and that Anki to the north and Shima and Haiteng just west of Amoy have fallen. Such an extended front indicates that the forces of the invaders are larger than those formerly under Sun Lien-chung.

The Cantonese 1st Independent Division and a part of the 3rd Army Corps are reported to have crossed the Fukien-Kwangtung border and to be marching on the insurgents. These forces are too small to accomplish anything. Amoy does not appear to be in any imminent danger and situated on the island of Kulangsu should be easily defended.

Reports at hand are very fragmentary and often contradictory. The situation is symbolic of the growth of unrest and communism in the South.

7. Miscellaneous.

Conditions in the North. North of the Yellow River the old warlords control the usual areas. Chiang Kai-shek's generals, Liu Chih and Ku Chu-teng, still dominate Honan, although communism is gaining ground outside of the garrisoned areas. Han Fu-chu and Liu Chen-nien control Shantung. Yen Hsi-shan is again in power in Shansi where conditions are much worse than they have been since the revolution because of the depreciation of the currency and the increase of soldiery and lawlessness.

Chang Hsueh-liang with his oversize army sits astride Hopeh with troops from Shanhaikuan to Paotingfu. The Young Marshal has lost the loyalty of his troops and the respect of the majority of his officers. The recent disbandment which meant a cut in the paper size of a company of 220 to an actual 130 or 140 has presented a new problem. These soldiers cast loose without employment are endeavoring to return to Manchuria, hoping to find positions in the police force or army of Manchoukuo. The troops of the new state are being paid and the Chinese soldier, never so much a patriot as a philosopher, finds it necessary to eat. Many have already returned and a reliable report states that two-thirds of the remnant await an opportunity to follow.

Wu Pei-fu in the course of a recent interview with a foreigner made some unusually frank statements. He said that the Young Marshal could not hope to control this area much longer; that Feng Yu-hsiang was virtually a prisoner in Shantung; and that Chang Tsung-chang's presence in Peiping was significant.

Feng Yu-hsiang's condition, if true, comes as a surprise and we are more willing to believe that this state of affairs exists than we were to believe that Feng and Han Fu-chu had become friends again. Feng has undoubtedly been ill and is naturally regarded with suspicion by his erstwhile lieutenant.

Peace may be expected in the North until the League Commission leaves. Then efforts will be made to get rid of Chang Hsueh-liang and the incubus of his troops.

Encouragement of Foreign Capital. It will be recalled that the 1st Plenary Session in January recommended that every effort be made to encourage foreign capital to come to China. Since this meeting the Ministry of Industry has been engaged in drawing up a plan in accord with the recommendation, and has recently submitted it to the Executive Yuan for approval. In due course of time this plan will become a part of the organic law of the country.

Capital for development is the crying need in China today. What are the inducements made to the foreigner to invest?

A close examination of the regulations shows that in joint Sino-foreign enterprises 51% of the stock of the company must be in Chinese hands and that the majority of the board of directors must be Chinese. Furthermore and more incomprehensible than all, the general manager of the concern must likewise be a Chinese.

Another section reads, "Where the Chinese Government shall deem necessary, it may take over the companies formed under this plan by giving fair and equitable compensation to the concessionaire. In order however to safeguard the interests of the latter, it shall not be permissible for the government to take this step until at least half of the prescribed term of the concession shall have elapsed".

There is probably not a man connected with the Ministry of Industry who was engaged in drawing up these regulations who is not convinced that China needs foreign capital and needs it badly. Yet a set of regulations which will frighten every foreign dollar out of the non-treaty sections has been promulgated and will probably become a law.

This curious state of mind has been brought about by the Kuomintang. Foreign capital to the Tangpus means foreign aggression, spheres of influence, loss of sovereignty. Temporizing with the foreigner is temporizing with the devil, and much worse in that public opinion has been so well trained that it is now dangerous. So China with one hand beckons capital and with the other pushes it away in horror.

Sino-Japanese Conference at Shanghai. Since the Military Attache is reporting on conditions in and around Shanghai no comments are made on the peace conference in that city.

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COMMENTS ON CURRENT EVENTS

April 27—May 24, 1932

RECEIVED G/2 W. D. JUN 21 1932

1. General.
2. The Manchurian Situation.
3. Shanghai.
4. Communism in Fukien and Anhwei.
5. Canton.
6. Miscellaneous.

1. General.

Differences in Shanghai at least, were settled for the nonce with the signing of the Truce Agreement on May 5th. With the rapid withdrawal of the Japanese troops after the settlement came the suspicion that Japan was far more ready to come to terms than her obdurate manner had indicated. The Chinese are now wondering whether they were wise to insist on such a rapid evacuation since it has meant reinforcements for Manchuria.

What looked like another attempt at the secession of Canton occurred on May 3rd when the Bocca Tigris forts attempted to prevent the escape from Canton of Admiral Chen Chat's fleet, loyal to Nanking. A bombardment ensued. General Chen Chi-tang's coup d'etat was not an entire success and some sort of peace has been patched up with a chastened government.

Nanking, under the influence of Wang Ching-wei, is not the Nanking of two years ago. Chiang Kai-shek was then determined to bend each man to his own will, and the attempt has almost ruined the country. Now a spirit of conciliation emanates from the capital and the word has gone out that Nanking will be satisfied with the modicum of lip service and will extend the maximum latitude of action to her far-flung provinces. So long as this policy is followed and Nanking holds the balance or even the shadow of the balance of power, there will be hope for the National Government.

Constant warfare has worn all the contenders down and Nanking rises in stature above them. The Kwangsi clique has been punished; Feng and Yen have lost in stature and power; the Young Marshal no longer yearns for new worlds to conquer. Only in Szechuan is there any military growth, - and Szechuan hopes for continued isolation.

Though Nanking's coffers are so empty that this spirit of conciliation may be forced upon her, still as opposed to the utter selfishness of her former policy it will be fruitful of success. Chiang Kai-shek was an anomaly. He was more western than Asiatic and it looked as though his German advisers had influenced his strategy as well as his tactics. The broad chin of a Mussolini was not designed for China. The clever and adroit politician, Wang Ching-wei, will win more battles than did the military dictator and if the two continue to work together and Wang can hold Chiang in the background

as a threat and yet be so astute that he will not make use of him, then will China be allowed to work out her destiny.

2. The Manchurian Situation.

The menace of the Volunteer, the bandit and the guerrilla continue to endanger Japan's hold in Manchuria. Instead of becoming more peaceful Manchoukuo becomes more chaotic, and as the crops get higher conditions will become worse.

North and west of Harbin along both the Chinese Eastern Railway and the Hulan-Hailun Railway, Ma Chan-shan's soldiery, numbered at about 40,000, are playing havoc with Japanese dreams. Along the Kirin-Tunhua Railway even to the Korean border disorder prevails. On the eastern section of the C.E.R. Li Tu and Ting Ch'ao continue in armed rebellion. Even in the southwest at Tungliao an occasional attack is recorded.

Japan's plan is apparently to crush the resistance in Kirin by a scissors-like movement with the Kirin-Tunhua-Kanei line as the southern arm and the eastern branch of the C.E.R. as the northern. So far little success has attended this scheme since it envisages larger forces than are now available. Frontal attacks have failed as the insurgents melt away leaving no trace behind them, and an envelopment calls for time and strength. It is the general concensus of opinion that until the League Commission leaves Manchuria Japan will not make a serious effort to put down rebellion, but when it has left and onlookers are few that she will attack in real earnest.

Stories in the press of Ma Chan-shan's airplanes, tanks and anti-aircraft guns are reminiscent of the reports of last November. They are bold exaggeration. But we dare to believe that arms and ammunition do cross and are crossing the Siberian frontier. Ma Chan-shan in November was bewailing his lack of ammunition; how is it that now in April he has enough to begin an offensive? A chaotic Manchuria under Japanese domination is more to be desired in Russia than a peaceful one, and while the Soviet does not feel the urge to check Japan's ambitions by open warfare she yet can hinder by the surreptitious sale of arms, and by other means prudent yet effective.

During the middle of May Ma Chan-shan's troops attacked in the direction of Harbin and on the 17th the battle was heard by the residents of that city. This attack is thought to have been less in anticipation of success than in the desire to show the League Commission then in Harbin the extent of opposition to Japanese rule in Manchuria. Since the 17th the soldiers of turn-coat Ma have been retreating and soon after the League's departure they will undoubtedly be chastised.

Even without Russia's sinister shadow athward Japan's dreams Manchuria would cause many sleepless nights, but with the Soviet bogey added the dreams become nightmares. Though with her advent Japan claims that peace and prosperity have come to long suffering Manchuria, the peasant cries aloud for the "tyranny" of the Chang family.

3. Shanghai.

The birthday review of April 29th in which Mr. Shigemitsu, Minister to China, General Shirakawa, Commanding General of Japan's army in China, Admiral Nomura, in charge of Japan's naval forces, Mr. Murai, Consul General at Shanghai, and Mr. Kawabata, Chairman of the Japanese Residents Association, were wounded gave fresh evidence of the hatred held for Japan by Korea and China alike. While Chinese were too circumspect to rejoice openly there was much joy behind closed doors. It was generally feared that this disaster would affect the Truce Agreement but in spite of it the signatures were appended on May 5th.

Shortly after this date Quo Tai-chi, Chinese delegate at the conference, was attacked by students who saw the loss of Chinese sovereignty in an agreement which impartial observers hold to be a remarkable achievement for China. Many there were who thought that Japan would demand her pound of flesh.

Since May 5th the Japanese withdrawal has been rapidly going on according to and sometimes ahead of schedule. The announcement that all troops would be withdrawn in a month after the signing of the treaty came as a happy climax to Japan's oft reiterated stand that she could not engage to withdraw by any specified date. After saving her face she was quite willing to make concessions and to embark her troops for Manchuria.

The official Central Daily News of Nanking, in an article on May 15th, appealed to Japan to cease the "continuous and aimless war", and stated that Japan can easily reach an understanding with China over economic problems without resorting to armed force or aggressive acts. "So long as the Sino-Japanese dispute remains unsettled China cannot make progress towards reconstruction and Japan will never have one day of peace or prosperity." In conclusion the article stated that for the welfare of both countries, as well as the Far East, Japan should realize her mistake, else the aimless war will drag the Far East down to the level of the black races in Africa, killing all hope for the advancement of the Yellow Race.

Such an enlightened viewpoint is startling and welcome, and should make negotiation easy in the future.

General Chiang Tso-pin, Chairman of the Foreign Relations Commission, on May 20th and in similar vein remarked, inter alia, that if all the Sino-Japanese issues including the Manchuria controversy are included in the agenda of a Round Table Conference the Chinese Government will welcome the proposal with open arms, but it will insist that before the conference is held all Japanese troops should be withdrawn from Shanghai. This condition is being met and it looks as though our former reflection, namely, that the dispute would be finally settled in a typical oriental manner between Japan and China, in spite of the League and the Western Powers, will come true.

(Because of the presence of observers from this office in Shanghai during the period reviewed no attempt has been made to enter into details.)

4. Communism in Fukien and Anhwei.

The Red Army in Fukien is moving from place to place in the southern part of the province looting as it goes and not remaining long enough for any resistance to develop against it. Amoy so far seems safe and plans are completed for the landing of foreign bluejackets in the event of any serious danger.

On the 9th of May Cantonese troops had advanced as far north as Lungyen, a town situated northwest of the places being looted at the time by the communists, but with Chen Chi-tang's abortive coup in Canton these troops have been withdrawn. Negotiations are now under way for aid from Kwangsi but the Kwangsi Army must be paid by the people in distress before it will come to their aid.

On May 23rd it was reported that the famous 19th Route Army had been ordered to Fukien for bandit suppression. This army is the most effective in China for this particular work.

While Anhwei has been subject to communistic excesses for some time, they have received very little publicity because they had involved no foreigners. On May 16th, however, a Canadian missionary, Mr. Ferguson, was captured and Anhwei lept into the limelight. On May 22nd British Vice-Consul Graham in an attempt to bring about Ferguson's release was wounded by a Chinese soldier, and now the authorities are reported to be ready to take active steps.

Chen Tiao-yuan, governor of the province, has done nothing but bleed it since his arrival there from Shantung in 1929 and it will be remembered was impeached at one time by the censorate for his misdeeds. His case, however, was never brought to trial, but now Chiang Kai-shek is reported as being appointed bandit suppression commissioner for the province. If Chiang actually takes the field results may be expected because communism has not developed in Anhwei to the extent that it has in Hupeh, Fukien and Kiangsi and there is time to nip the growth in the bud.

5. Canton.

Since May 3rd when a bombardment took place between the Bocca Tigris forts and Admiral Chen Chat's warships, many conflicting reports have come from the South. It appears, however, that the basis of the trouble was General Chen Chi-tang's desire to break away entirely from Nanking and that his attempted coup failed because of a premature leak which advised both Chen Chat and Chang Hui-chang, China's Lindbergh, of his intentions.

Chen Chi-tang, who is generally regarded lightly, and some twenty-five others including Tang Shao-yi, broadcast their dissatisfaction with the Shanghai settlement during the first week in May. Subsequently Kwangsi leaders who were supposed to have joined Chen Chi-tang have telegraphically approved of Nanking's action and the resulting agreement.

The most powerful of Chen Chat's vessels have made their way to Hainan where with General Chang Hui-chang they announce their allegiance to Nanking. This action followed the resolution of the Southwestern Political Council on May 2nd to abolish the Canton naval squadron and place it under the command of the 1st Army. The week after this resolution was passed army officers took over the control of the remaining warships and General Teng, who admits no knowledge of the sea, was appointed admiral. Dissatisfaction with the appointment of these "landlubbers" has since been voiced aboard ship.

There are four distinct groups in Canton. In the first place, that headed by Chen Chi-tang, which is anxious only to remain in power; secondly, the group supporting Hu Han-min who hold that no good can come out of Nanking and that the Canton government should be independent of the North; thirdly, the party led by Admiral Chen Chat and General Chang Hui-chang, opposed to Chen Chi-tang and so favorable to Nanking; and fourthly, Sun Fo's clique which advocates the abolition of one-party or Kuomintang government, and decries the Truce Agreement.

Behind and antedating by years these various groups is the Southwestern Alliance idea. This alliance, which has often been discussed, would comprise Kwangtung, Kwangsi, Yunnan, Kweichow, Fukien, and sometimes even Szechuan. Soon after May 3rd it was believed that some such scheme might be afoot again but apparently nothing has come of it. However it is apropos to remark that Feng Yu-hsiang was approached by Canton during the first days of May, and to consider the coincidence of Sun Lien-chung's invasion of Fukien. Sun, an old Feng retainer, is one of the few who might be expected to give allegiance to the "Christian General".

On May 20th Hu Han-min proposed a compromise which would provide for the formation of a Military Council with members from Kwangtung, Kwangsi, Yunnan and Kweichow, and which would include Chen Chat and Chang Hui-chang. All troops and naval units in these provinces would be placed under the orders of this council.

This plan which might solve local problems has a Southwestern Alliance tinge which would certainly not be regarded with favor in Nanking.

Had Chen Chi-tang's scheme been successful and Admiral Chen Chat's navy and General Chang Hui-chang's ever growing air force been seized, some separatist action would have taken place, but now no serious movement is possible. Other alignments will be made, and other plots laid, but the trouble which looked national now has a local complexion.

6. Miscellaneous

Shanhaikuan.

From the early to the middle days of May the Chinese press gave great publicity to Japanese encroachments in the Shanhaikuan area. It was reported that the district was filling up with Koreans; that Chinese homes were being searched

and prisoners made; that the Peking-Mukden Railway had been cut at Changli; and finally that the Japanese were planning to take over the area formerly controlled inside the Wall by Fengtien, - in other words, extend their power to the Lwan River.

Investigation shows that on May 5th an attempt was made to obtain from General Ho, in command of the Chinese forces in Shanhaikuan, a statement to the effect that he was unable to maintain law and order. Furthermore that the Japanese troops in Shanhaikuan were carrying on night maneuvers in which blank cartridges were used. From these facts grew the stories in the press.

Shanhaikuan is now quiet and will probably continue so as long as General Ho does not openly support the Volunteers who, according to various authentic reports, are using part of his area as headquarters in movements against Manchoukuo.

The Chen-Tai Railroad Loan.

On April 29th Nanking reported that the same day Mr. Tseng Chung-min, Vice-Minister of Railways, had an interview with the representatives of the Franco-Belgian capitalists who are interested in the Chen-Tai Railway loan which expired at the end of March. They are now interested in offering a new loan to China for the construction of the Tatung-Puchow section of the proposed Tatung-Chengtu Railway with the property of the line as security.

It is reported that negotiations are going smoothly and Mr. Tseng, who was formerly chief secretary to Mr. Wang Ching-wei, briefly reported the matter at to-day's meeting of the Executive Council, speaking in favor of the French loan. It is further stated that the Ministry of Railways is also contemplating the construction of the Shihchiachuang-Tsengchow Railway in view of its strategical and commercial importance in North China, especially as the earth work foundations were laid several years ago and its construction will, therefore, not cost much at the present moment. The demand of the Shansi people to convert the Chen-Tai line into a commercial concern belonging to the Shansi people has been rejected on account of the fact that it runs counter to the policy of the Central Government. Details of the French loan are unknown as yet.

Opium in the North.

Although Chang Hsueh-liang professes entire ignorance, an official opium monopoly office has been set up in the ex-Austrian Concession in Tientsin and the drug is being sold openly. The placing of opium on the legal list is undoubtedly due to the necessity for paying troops which, underfed and unpaid for months, are growing restive.

The quantity of opium already transported to Tientsin is reported to be enormous and the Chinese press states that $500,000 monthly will be realized by the monopoly.

In this connection, language officers who recently visited Jehol state that Tang Yu-lin, in addition to allowing opium to be planted, actually forces its cultivation. He has set up not only an opium refining plant but a factory in which morphine is made. Doubtless much of Tientsin's and North China's supply comes from him.

Shanghai-Nanking Railway.

After a suspension of four months traffic on the Shanghai-Nanking Railway was restored on May 24th. Full service is expected to be resumed on June 1st.

Impeachment of Wang Ching-wei.

On May 21st the Supervisory Yuan impeached Wang Ching-wei on the grounds that he signed the Shanghai agreement without having first tendered it to the Legislative Yuan for ratification. This action is purely political and will probably lead to no actual impeachment procedure.

General Postal Strike.

Voicing opposition to the Postal Aviation service, the separation of the Postal Savings Bank from the Postal service proper, and the increase in postage stamp rates, a general strike was called throughout China at 5:00 a.m. on May 22nd. A grievance which has since been met was the abolition of "rice money", a sort of subsistence allowance.

While both in Peiping and Tientsin postal workers are on strike, in Canton they remain at their posts. Since no real grievances are voiced by the strikers, and since the postal service is the best paid in China, it is believed that the strike is political in nature.

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COMMENTS ON CURRENT EVENTS

May 25 - June 21, 1932

RECEIVED G/2 W. D. JUL 20 1932

1. The National Government
   a. Finance
   b. Diplomatic Relations with Japan
   c. Diplomatic Relations with Russia
   d. Assemblies
2. Canton
3. Shanghai
4. The Manchurian Situation
5. Communism and Banditry
6. Miscellaneous

1. The National Government.

Possibly not for several years has Nanking been subjected to such inconsiderable opposition from without the government, either as to policies or as to personalities, as during the period under review. The opposition of the Eugene Chen—Sun Fo—Hsiao Fu-ch'eng group, which before the Shanghai incident was able for a time to displace the Chiang Kai-shek—T. V. Soong combination in the National Government, has now been considerably reduced. While the question of personalities no doubt predominated, the question of Nanking's policy with respect to the Manchurian situation carried considerable weight both within and without the Kuomintang and in public sentiment generally. Opposition was based primarily on the so called policy of non-resistance which Chiang Kai-shek, T. V. Soong and Wang Ching-wei had adopted.

Since the Shanghai incident where, through deliberate intent or otherwise, Nanking troops were in fact used side by side with the 19th Route Army in resisting Japanese occupation, there has been a discernible lessening in the opposition to the group now in control and to their policy. The efforts of Sun Fo, Eugene Chen, et al, to make political capital out of a situation where it was apparent to Chinese generally that united action was essential resulted in discrediting this group and in proportionately strengthening the government. As the political opposition reduced, the military support ordinarily available to this opposition was likewise perceptibly lessened.

During the period covered by this report we find the rather astonishing circumstance where there is no effective opposition either political or military (not counting banditry or communism) to the government. The government has been concerned during this period mainly with problems concerning finances, diplomatic relations with Japan, particularly as to Manchuria, and the Canton situation.

a. Finances.

As will be seen from Report No. 8320, new regulations were adopted concerning the question of the responsibility and the purposes for which loans were to be raised and employed. A point had been reached in government finances

where it was obviously essential that a check be called in the tremendous and possibly unnecessary expenditure for all purposes, particularly military.

Mr. T. V. Soong, the capable Minister of Finance, issued an exceptionally able statement of conditions, and of his determination not to raise funds that were intended in any way to prosecute civil wars. Mr. Soong's resignation accompanied the statement, presumably as a gesture of refusal to raise additional loans for the military, to be used, so it was alleged, in suppressing bandits and communists.

Mr. Soong, in his statement, recapitulated the measures which averted the threatened moratorium on government bonds and the collapse of government finances. He stated that during the past four months the government had been able to balance the income and dispense with further borrowing.

Mr. Soong also said that while the liberation of the Yangtze Valley from the ravages of communists and bandits is imperative, there are normally only two ways of raising funds, namely, taxation and borrowing. In the present circumstances additional taxation is unjustifiable; in borrowing lies ruin, political instability and ultimate disaster. He asserted that the liquidation of the Shanghai affair closed another chapter in national finances, and submitted his resignation as he feels unequal to the strain of further office. There was little if any possibility that Mr. Soong's resignation would be accepted but his position with the government and in public opinion generally has been measurably strengthened.

The National Government, faced by ever growing expenditures and curtailed revenues resulting from occupation of Shanghai and Manchuria, is negotiating with the powers, including the United States, for a year's moratorium on the Boxer Indemnity payments, in order to meet its current expenses. In this connection, no indemnity payments have been made to the account of the United States since March 1, 1932.

b. Diplomatic Relations with Japan.

General Chiang Tso-pin, the Chinese Minister to Japan, who had been away from his post since January, has been ordered to return to Tokyo. It is stated that General Chiang has been instructed to sound the views of the Saito Cabinet for direct negotiation between the two countries. The Chinese Government is said to be willing to discuss the settlement of all Sino-Japanese affairs. Practically this would mean that China is willing to recognize Japan's economic and industrial claims in South Manchuria in return for suppression of Manchoukuo.

c. Diplomatic Relations with Russia.

The question of resumption of diplomatic relations with Soviet Russia has been the subject of much discussion in governmental circles and has been largely featured by the press. According to views of opponents of the plan, the resumption of relations would eliminate the sympathy of the world without producing any laudable results. Relations between Japan and Russia are strained but an armed clash is

improbable at this time. Preoccupied with the Five-Year Plan, the Soviets are not prepared to interfere in the Manchurian affair, and their material assistance is not likely to be forthcoming even if diplomatic relations were re-established. Even should a war materialize, China would merely furnish the battleground with a certain consequent loss of Manchuria. This subject however is being given much consideration both because of possible help against Japan and to avoid Russian recognition of Manchoukuo. Not only is a treaty of mutual non-aggression openly advocated as a "test of sincerity" and a preliminary wedge in the settlement of outstanding Sino-Russian questions, but Eugene Chen is openly speculated on as the most likely ambassador to Russia. However, this reported extension of a "glad hand" is one side and on the other, an anti-communist campaign with summary execution of communists would seem to indicate that China's flirtation with the Soviets is but a bid for world support.

d. Assemblies.

Since cessation of hostilities at Shanghai the National Government has been able to devote more attention to political activities. The Ministry of Interior is preparing to establish provincial, municipal and district assemblies whose capacity will be primarily advisory but with authority to supervise local finances. These councils will also train the people to use the greater political powers which they will possess when a National Congress is established. Preparations are also being made for the convening of a National Assembly of People's Representatives, which is planned as a temporary advisory body and not as a permanent law making congress.

2. Canton.

The abortive attempt of General Chen Chi-tang to seize control of the Canton navy and air force having failed because of the hostile attitude entertained by the navy and a portion of the flying corps commanders against General Chen, what seemed to be a threat to the Central Government has developed into a local incident with Canton and Hainan watchfully facing each other across the Hainan Straight. What threatened for a time to become an alliance against Nanking was disclosed as mere personal quarrels over the question of superiority of power, and the desire of the various leaders to increase the scope of their individual authority.

Discontented politicians opposing Chiang Kai-shek in Hongkong and Canton, under leadership of Hsiao Fu-ch'eng, member of the Central Supervisory Committee of the Central Kuomintang Headquarters at Canton and one of the Standing Committee of the Political Council for the South-West, have seized the Canton changes as a means of furthering their propaganda against Nanking and have missed no opportunity to show their opposition to the National Government. They have been active in supporting the impeachment by the Board of Censors of Wang Ching-wei, President of the Administrative Council, for signing the Shanghai peace pact, and have urged Sun Fo not to go to Nanking to participate in the government in spite of Chiang Kai-shek's announced willingness to adopt some of Sun Fo's political ideas.

The causes of the breach between Chen Chi-tang and Admiral Chen Chat are interesting enough to merit detailed description. It is reported that for a long time the Canton naval officials have been on very friendly terms with the major portion of the officers of the air corps, who were divided into two camps, - a part under the influence and encouragement of General Chen Chi-tang and under the leadership of Commander Wang Kwang-jui, the remainder loyal to General Chang Hui-chang as head of the Canton aerial forces, whom Wang later succeeded. The hostile relations between the army on one hand and the navy and air force on the other has been attributed to the distribution of funds by the provincial government, which being under the influence of the Commander-in-Chief naturally favored the army over the navy and air corps. The situation reached a point where payment of salaries to air officials was months in arrears and General Chang Hui-chang complained to the Provincial Finance Commissioner that the government owed the air service over $300,000. However this relation between the army and the navy could have lasted for some time had not Chen Chi-tang taken drastic measures for reorganization of the air service and the appointment of his own candidate, Wang Kwang-jui, as successor to Chang Hui-chang. The appointment caused apprehension among naval officers. This apprehension was justified shortly after by the announced abolition of the so called National Naval Department by incorporating the Cantonese Navy into the First Group Army, which brought the navy under the direct control of General Chen Chi-tang with Admiral Chen Chat in the minor role of High Adviser. This precipitated the open break and the establishment of an independent naval regime at Hainan, supported by disgruntled air men under General Chang Hui-chang.

The differences of the two Chens are receiving but scant attention from Nanking which now shows little inclination to be involved in factional differences.

3. Shanghai.

With the sailing of the three transports bearing the last of the Japanese expeditionary forces from Shanghai on May 31, the curtain was lowered on the most violent chapter in the history of Shanghai and what has been euphemistically called the "Shanghai Incident" came to an end. Statistics officially released by the War Office at Tokyo on May 11th show the total number of Japanese casualties in the Shanghai fighting to be 541 killed in action, 93 dead of wounds, and 1791 wounded. The warless war ended in a victoryless victory. The armistice did nothing towards solving the basic issues involved. It provided for a cessation of hostilities and a return to the status of January 28, 1932.

Suggestions for the establishment of a Free City at Shanghai find but little favor in Chinese official circles. Mr. Quo Tai-chi in a press interview scored the Free City idea as the agitation of irresponsible and die-hard foreign merchants. He added that the National Government is willing and ready to promote the convocation of a Round Table Conference on all pending Sino-Japanese issues, but only if the Manchurian controversy is included in the purview of the conference.

It is reported that as many as 250 of the Peiping police who were sent to Shanghai to police evacuated areas turned in their rifles at the sub-stations announcing dissatisfaction with service conditions and a desire to return North. Due to friction between Public Safety authorities and the officials of the Peiping police, and the fact that many of the constables have acquired the "Hongkong Foot", local authorities are sending numbers of policemen back to Peiping.

4. <u>The Manchurian Situation</u>.

The Japanese realize that the new State, with its inexperienced officials supported by troops of doubtful loyalty and questionable combat value, is at present unable to control a vast area in which communications are scarce and semi-organized opposition and bandits are plentiful. The administration of Manchoukuo is therefore to be openly braced by a steel frame of Japanese officials, who will be in complete control of finances and personnel. This "inner" government will have general control of policy and no doubt will be in close liaison with if not in actual control of the forces capable of and responsible for maintenance of law and order, and these for some time to come will be the Imperial Japanese Army.

In pursuance of the above policy the War Office and the Foreign Office are reported to have reached an agreement the contents of which are secret, but the salient points of which are believed to be:

1. The appointment of a High Commissioner as the highest organ of Japanese administration.
2. The High Commissioner to be concurrently Commander-in-Chief of the Kwantung Peninsula Army.
3. The High Commissioner to be placed under the direct control of the Premier of Japan.

It is reported from Changchun that the new Currency and Central Bank Acts are completed and are to be announced shortly. Under these acts, all the former provincial banks will be merged into a central bank with authority to issue Manchoukuo currency to be called Yen and equivalent to 23.91 grammes of silver, with a minimum reserve of thirty per cent. against banknote issue; the reserve to consist of silver, gold bullion and foreign currency. The bank is to be capitalized at thirty million Yen, and is to have a Chinese president and a Japanese vice-president.

The question of the return of the rolling stock of the Chinese Eastern Railway from Soviet Russia has again become prominent. It is reported that the Manchoukuo authorities are insisting that the Chinese members of the Railway Board bring the matter up for discussion with the Russian directors and demand immediate return of all the rolling stock which was exported to Russia.

The spread of banditry is increasing and a reign of terror exists in many regions, especially north and west of Harbin. It is difficult indeed to conceive the extent of capacity of the Chinese for looting and mistreating their own people in regions where law and order have ceased to exist.

Bandit raids, train hold ups, insurgent attacks and guerrilla ambushes, sometimes in force, often in mobile small groups, have conclusively proved to the Japanese that the task of restoring law and order in Manchuria remains one of magnitude.

5. Communism and Banditry.

Banditry is now so rampant in many sections of China and so intermingled with activities of communists that it is difficult to treat the two as separate and distinct subjects. Banditry is prevalent in considerable sections of Shansi, Shensi, Chahar, Suiyuan, Jehol and Shantung (where ex-bandit General Liu Kwei-tang recently revolted with three thousand followers), but it is not a matter of serious concern and represents a state of affairs which in these provinces has existed for centuries and which the average Chinese regards with the same resignation that he does the frequent visitations of famine and flood.

The menace of communism, however, is growing more serious and the Central Government and the provincial militarists are at last attempting to coordinate their efforts to suppress and eradicate it. There are at present in existence in China seven areas covering considerable portions of the provinces of Fukien, Kiangsi, Hunan, Hupeh and Anhwei which have been definitely sovietized and in which Soviets have been established exercising complete political administrative and fiscal control.

With the designation of General Chiang Kai-shek as Commander-in-Chief for Bandit Suppression, and of the famous 19th Route Army as a part of the anti-Red forces, it would seem that the government is taking positive measures toward freeing the Yangtze Valley from the communist grip.

Military authorities of Hupeh, Hunan, Kiangsi, Anhwei and Honan were invited by Chiang Kai-shek to participate in a military council at Lushan, Kiangsi, on June 15th, to coordinate the efforts of the troops.

6. MISCELLANEOUS

Tientsin.

Rumors of another plain-clothes men disturbance due to take place the week-end of June 4th failed to materialize. Proclamations were exhibited by the Tientsin Bureau of Public Safety, alleged to have been prepared by the "Anti-Japanese National Salvation Army", which stated that its purpose was to organize the country under the leadership of Tuan Chi-jui and Wu Pei-fu, of the old Anfu and Chihli parties, to combat the Japanese.

It is now apparent that there was no basis in fact for these statements and that the rumors were spread probably by Chinese sources at a time when the League of Nations Commission was returning to Peiping, with a view to bringing to the attention of that Commission a policy which probably had been for a time actually employed by the Japanese in the Tientsin area.

Anti-Civil War League.

The General Chamber of Commerce of China, the Chamber of Commerce of Shanghai, the Bank Association and the Money Shops Guild jointly issued a circular telegram on May 25th to the chambers of commerce, bank associations and educational bodies of the larger cities of China, proposing the formation of a federation for the purpose of uniting the people in a common movement for the prevention of war. The telegram states that foreign aggression on China is the result of incessant domestic strife and constant civil war.

The federation proposes to attain its object by propagation of writings and lectures on the need and benefits of peace. When political complications threaten a renewal of civil war, the association should advise the parties concerned to abide by the decision of a national representative organ. Pending the establishment of such an organ, legal organizations or occupational groups shall be entitled to adjudicate between the contending parties. In case civil war breaks out, the individual members of the federation should refuse cooperation with the offending parties and adopt such measures as will be deemed proper and peaceful to stop the war.

The regulations further stipulate that the federation shall not engage in activities which have no relation to the movement for the elimination of civil war, and that membership therein is open to individuals and organizations, irrespective of sex, occupation and party affiliations. No admission or membership fees will be charged, but the federation may solicit contributions from those interested in the movement, but not from any official organizations, national, provincial or district.

This movement to outlaw domestic wars by organization of a nation wide league evoked national interest. From Peiping, Tientsin, Canton, Hankow and Nanking came indications of willingness to join from chambers of commerce, guilds and bank associations. The project obviously arises from the fact that China's business men realize that internal strife is responsible for the conditions which exposed them to foreign aggression with resultant suffering and losses incurred in Shanghai.

Whatever strength a movement of this kind may have, it will be increasingly difficult for Chinese politicians and militarists to resort to war to gain their ends, and they are for the time being compelled to adopt other methods.

The recent abortive attempt to impeach government leaders for signing the Shanghai agreement, and the short lived postal strike (rumored to have been instigated by Sun Fo), indicate the present tendencies and illustrate the technique now being used to embarrass and discredit the government. No faction at this time dares to expose itself to the charge of making civil war.

Conscription.

On April 23rd the Legislative Yuan passed the general principles of a conscription law which provides that all male citizens with certain exceptions, between the ages of 18 and 40, are to be members of a "citizens army" to be trained in

peace time and mobilized in war time. There shall be a period of one year active, five years reserve and eight years secondary reserve in the army, and two years active, seven years reserve and six years secondary reserve in the navy.

Those exempted include physically and mentally unfit, primary school teachers, police, and technical men in communications or public utility companies.

The above principles will be embodied in a conscription law when desired by the government. The Ministry of War and the Ministry of Interior are to be in charge of conscription matters. It is doubtful if conscription will be a reality in China during the coming decade.

Student Strike.

Another student strike was declared in Peiping on June 11th when about 400 students of the Normal University, who decided to go to Nanking to complain about lack of funds for educational purposes and to request dismissal of their Chancellor, were forcibly prevented by police from leaving the University compound for fear that denied free rides, the students would hold up train service by sleeping on the tracks. With the exception of Yenching, Tsing Hua and the Catholic universities, all the Chinese university students are on strike. The slogan of the students is to oppose Fascist tendencies in Chinese education, though that charge is difficult to understand inasmuch as so far the students always have scored over the teachers in any dispute.

This incident is being effectively handled by the police who are apparently in better control than heretofore. The incident has not tied up rail traffic and it is thought will not develop seriously.

W. S. Drysdale

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COMMENTS ON CURRENT EVENTS

June 22—July 20, 1932

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2. The Manchurian Situation
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1. THE NATIONAL GOVERNMENT

The pressing problems confronting the National Government and the imperative need of formulating policies and for taking prompt and effective measures to meet the present situation was the occasion of numerous conferences of members of the Government Council during June and July. Fortunately the absence of opposition or of civil war continued and the government was able to arrive at decisions and to formulate plans with a realization that public opinion throughout the country was sympathetic.

The major political problem that required prompt attention was obviously related to Japan's action in Manchuria and the seizure of the customs revenues of that area by Manchukuo officials. In so far as Manchuria is concerned the government is under considerable pressure from Chinese public opinion which favors independent and direct action to "retake" the Manchurian provinces and a prevailing belief that the League of Nations is impotent in the fact of Japan's obvious determination to "support" Manchukuo.

The Japanese Army in Manchuria has been increased in recent weeks by additional cavalry and air force units, and military action against Chinese irregulars and bandits opposed to Manchukuo has been continued without relaxation. Numerous instances have been reported in the Japanese press of Japanese troops being employed to assist the Manchukuo Army against the attack not only of Chinese irregulars but of former Manchukuo troops who had turned against the puppet government. Rengo, a Japanese press agency, reports that it is the contention of the Japanese Government that "the independence of Manchu State is a strict reality, the country having seceded entirely from the Nanking Government through the self-determination of 30,000,000 people, and that this state of affairs was not presupposed at the time when the Nine Power Pact and other agreements were concluded and that Japan's recognition of the new state will not violate existing treaties". Rengo further reports the Tokio

Asahi as editorially remarking that "we are wholly unconcerned about the nature of the report to be drawn up by the Commission. Only we wish the Commission to bear in mind that the independence of Manchu State is a stern reality and that Japan is determined to give it protection at all costs. Should the Commission fail to note or ignore this point, no matter even if the report is a truthful description of facts, it would contribute absolutely nothing toward the final and basic solution of the Manchurian question".

Public opinion in China supports the opposite contention, namely, "that it is idle to advance the hackneyed and hypocritical plea that Manchukuo was founded by the voluntary will of the 30,000,000 inhabitants of Manchuria and not due to the aggression of any third party. The Chinese are convinced that if the Japanese Army withdrew from Manchuria the will of the people would be so violently expressed that not one of the Manchukuo leaders would be left alive forty-eight hours afterward and that the Manchukuo state would vanish like thin air".

Such opposition as is likely to develop toward the National Government therefore would be to a policy placing too much dependence on the League and insufficient dependence on definite measures to be taken by China herself to restore that measure of control that Chinese public opinion believes the minimum that simple justice and the treaties demand.

During the latter part of June, Wang Ching-wei, Chairman of the Executive Yuan, T. V. Soong, Vice-Chairman of the Executive Yuan and Minister of Finance, and Lo Wen-kan, the Minister of Foreign Affairs, appeared before the League Commission at Peiping. Prior to their arrival at Peiping extended conferences were held at Kuling where agreements no doubt were reached on the fundamental points of China's policy respecting Manchuria and regarding the seizure of the customs revenues of the northeastern provinces by Manchukuo.

Statements made by those officials and their effect on the recommendations to be made by the League Commission have obviously not been divulged but it may be taken for granted that the Commission departed for Tokyo on June 28th with a fairly accurate knowledge of China's position with respect to Manchuria, and a realization of the measures that public opinion in China generally demanded of their leaders for eventual restoration of the "lost provinces".

Chinese generally realize that they are impotent in the face of Japan's military strength but the belief prevails and is gaining ground daily that effective measures can and must be undertaken to make Japan's occupation of Manchuria difficult and costly.

In summing up, the principal activities of the government during the period under review have been directed at solving the problems created by the Manchurian situation, the imperative need of suppressing the communist-bandits and of securing the necessary funds to enable the government to meet its financial obligations and to support its large and cumbersome armies during bandit and communist suppression operations.

a. Finances.

Mr. T. V. Soong's resignation as the Minister of Finance, tendered in early June as a protest against the issue of paper notes or further government bonds, succeeded in materially reducing the demands for funds that could not otherwise be secured and the employment of those means to raise funds for operations against the communist-bandits have at least temporarily been abandoned.

Mr. Soong's resumption of his duties as Minister of Finance had the effect of restoring waning confidence in the financial stability of the National Government. However, serious financial problems await settlement. Bandit suppression is estimated to require an extraordinary monthly expenditure of M$5,000,000. Mr. Soong has been successful in raising a monthly quota of M$1,500,000 from the Shanghai bankers who were becoming more and more unwilling to take up internal loan bonds because of alleged recent failure to meet amortization payment on previous issues. However, realization that Mr. Soong's resignation would jeopardize the sums already invested in the government led them to meet him part way in raising the necessary funds. Mr. Soong's financial demands may have been considered onerous but far preferable to the confusion which would have resulted had the able "purser" left the Chinese "junk of state".

The amount pledged, however, will be an insufficient addition to the mounting routine governmental expenditures in view of the revenues shrunken by the loss of Manchurian customs and drop in the national income because of decrease in imports consequent to drop in value of silver. Therefore, in spite of Mr. Soong's statement, and the opposition of Chinese Government bondholders, additional series of bond or treasury note issues may be expected shortly. The opposition of bondholders is based on the contention that as a condition for its recent reduction of interest and extension of payment of existing debts, the government has pledged to make no more loans in the near future.

To deal with the pressing financial problems, a financial conference is to be held, fixed tentatively to open on July 20th. In order to stabilize the currency it is reported that Mr. Soong and the Shanghai bankers have agreed upon the elimination of the symbolic tael from the bewildering Chinese monetary system and substitution of the (Mex) dollar as the prime unit.

b. Foreign Relations - Russia.

A spokesman of the Executive Yuan admits that the question of restoration of Sino-Russian relations has been seriously considered by the appropriate government authorities, and that the project in principle has been approved by the Central Political Council, which is above the foreign office in matters relating to national and international importance. This subject continues to hold the interest and attention of the press and of official circles. It is believed that unofficial conversations have taken place with a view to reopening of diplomatic relations.

Current reports are that Dr. C. T. Wang, ex-minister of foreign affairs, is to take charge of the negotiations. Dr. Wang's appointment has not been officially confirmed to date. The fact that he is an able diplomat and has long experience in Sino-Russian negotiations lends credence to these reports.

c. Foreign Relations - Japan.

Another aspect in foreign relations is the statement appearing in the Chinese press that direct negotiations between China and Tokyo for the settlement of outstanding questions have been agreed on in Nanking. The negotiations are to be international and with participation of representatives of foreign powers with interests in the Far East, the deliberations being based on the provisions of the Washington Treaty relating to China. It is hardly believed, however, that any direct negotiations will take place prior to the publication of the report of the investigating committee of the League of Nations.

2. THE MANCHURIAN SITUATION

In addition to staffing the new and inexperienced Manchukuo with capable Japanese advisers, the Japanese are making a determined effort to sell the idea of friendship and cooperation with their homeland to the heterogeneous population of Manchuria.

The officials of the new government of course need no propaganda to convince them that their future lies in close cooperation with Tokyo, for the entire government bears the "made in Japan" label, - the problem confronting Japan is how to overcome the traditional enmity of the Chinese who form the vast bulk of the population, the other elements being the Manchus, Mongols, Koreans, White Russians and Japanese.

The Manchus, former rulers of much of the territory as an independent empire before their conquest of China, although comparatively few in number have assumed an increased importance since the accession of Henry Pu Yi, the descendant of the Manchu ruling house, to the perpetual presidency of the new state. Many of them hold high office in the Manchukuo Government and on the whole can be classed as pro-Japanese.

The Chinese emigrant population, estimated at about twenty million souls, is composed chiefly of peasants from Shantung, Hopei, northern Honan and Shensi, who fled to the haven of Manchuria because of civil wars, famine, oppressive taxation and generally intolerable conditions in their native provinces. Although they have left their homeland they are still the "sons of Han" and have an anti-Japanese feeling that is common to most Chinese.

The Mongols and allied tribes, who number about two million, have always been more or less independent of any Manchurian authority, and in recent years have fallen to a considerable extent under the influence of Soviet Russia. Their attitude towards the Manchukuo Government can be described as more favorable than neutral, but on the whole they are asking only to be left alone to lead their nomadic lives without interference. Towards Japanese their feeling is that of respect mixed with admiration for the people as a whole because of their national achievements in the past fifty years.

The Korean emigrants, estimated at more than eight million, are generally sympathetic to the Manchukuo regime, as with Japanese support it promises protection from banditry, extortion and misrule.

Russian emigres, numbering around 150,000, are as a unit in support of the Manchukuo government which promises them rights of citizenship, and are friendly to the idea of Japanese domination in Manchuria.

Working methodically the Japanese are appealing to each of the above groups for support of the new government and friendship for Japan. Special efforts are being made with reference to the Chinese, and the Japanese believe that once the latter are convinced that the new state will give them security, freedom and equal opportunities, they will accept the authority of the new government.

In general the efforts to win the friendship of the Manchurians may be divided into the following:

1. The military phase during which the Japanese will restore order and enable the organization of local agencies to provide the people with security.

2. The administrative phase during which the organization of the government will be completed along lines similar to that of Japan.

3. The cultural phase designed to influence the younger generation through schools, patriotic organizations and societies. Selected students will be sent to Japan for advanced education. Government posts will be filled from their ranks.

4. The industrial phase during which commerce and industry will be promoted by the establishment of a stable currency, elimination of official extortion, and by guaranteeing the farmers a fair price for their crops.

In the meantime, for the purpose of close cooperation with the Manchukuo authorities, the Japanese are reported by Nippon Dempo to be establishing in the near future a Japanese administration in Changchun consisting of bureaus of Home Affairs, Foreign Affairs, Police, Finance and Communications.

a. <u>Seizure of Customs Service</u>.

Led by Japanese advisers and protected by both Japanese plainclothes men and Manchukuo police, representatives of Manchukuo government forcibly took over the Chinese customs at Harbin on June 25th, and at Antung, Yingkow, Hunchun, Aigun and Manchouli on June 27th. In practically every instance the customs personnel was urged to change their allegiance to the Manchukuo service and in some instances it was reported to have been forced to do so by threats and at pistol point. All of the foreign and most of the Chinese personnel having refused to serve, several former Chinese and Russian members of the staff were re-engaged by the new state whose flag now flies over the customs houses of Manchuria.

At Dairen the seizure started with instructions by the Manchukuo government to the Japanese Commissioner of Customs, Mr. J. Fukumoto, to suspend remittances to the National Government of China. The Chief of the Foreign Affairs Section of the Kwangtung Leased Territory placed additional pressure on the Commissioner by announcing that "the remittance of the revenue under present circumstances would be highly provocative". Mr. Fukumoto complied with Manchukuo instructions by withholding remittances normally due the Chinese Government, whereupon he was dismissed from the Customs Service by Sir Frederick Maze, the Inspector General of Chinese Maritime Customs. Mr. Fukumoto promptly took service with Manchukuo, his example being followed by the Japanese members of this and other Manchurian customs, who resigned in groups to enter the service of the new state, continuing customs collection at the stations on behalf of the new government.

The loss of Manchurian customs receipts, which totalled about 15% of China's customs revenues and from which the Nanking Government derived approximately $30,000,000 (Mex) annually, will no doubt affect the payment of indemnities and foreign loan obligations, since the customs revenues provide security for most of Chinese foreign and domestic loans. The Chinese Government is now considering the plan of collecting customs duties in advance on all goods destined for Manchuria from Chinese ports.

b. Postal Service.

Although nothing definite has been issued from official quarters with reference to taking over of the Manchurian postal system by the Manchukuo government, the vernacular press has been full of rumors, discussions and suggestions for reprisals in the event of seizure. These propose the blockade of the Manchurian service, suspension of remittance and mail service, despatch of European mails by boat instead of via Siberia thus avoiding Harbin, and the consideration of all mail matter coming from Manchukuo into China proper as "unfranked".

According to the latest available information, Mr. Y. Fujiwara, Inspector of the Japanese Communications Ministry at Tokyo, is now in Mukden and will soon take office at Changchun as the Chief of Posts, Telegraphs and Telephones of Manchukuo. Probabilities are that the postal service will be taken over as soon as the new state is in position to face a probable monthly deficit of about $50,000 Mex. in addition to the extraordinary expenses such as printing of new forms and adoption of new stamps. Another factor is the fact that entry into the Postal Union can not be effected except with the unanimous consent of member states, and it is believed that the Manchukuo authorities sense the fact that there are several states that are not prepared to vote for the admission of the Manchukuo government postal service into the Union.

All of the above developments in the Manchurian situation compel the belief that Japan intends to anticipate the report of the Lytton Commission by strengthening her position in Manchuria to such an extent that the world will be faced with a fait accompli, and will find it impossible to force her out except through such measures as the powers are loath to adopt at this time.

3. COMMUNISM AND BANDITRY

The ravages of communism and banditry continued throughout the month. Sporadic raids involving murder, pillage and kidnapping were frequent. Large areas in Hupeh, Kiangsi and Honan are overrun by the Red armies, and sections of Kwangtung, Kwangsi, Kiangsu and Anhwei are subject to their depredations.

Detailed plans are being made by the government for the eradication of communism-banditry in Central China. However, little success of a permanent or fundamental nature can be expected from the much advertised elaborate preparations. In the first place, communism in Central China is rooted in prolonged oppression and economic distress and its eradication will only be possible by an appropriate change in the conditions which gave rise to it. It is doubtful whether the Chinese Government will be capable in the near future of accomplishing a program to bring about that change. In the second place, the government is in no position financially to conduct an efficient military campaign against communists. On June 12th the press reported that Mr. T. V. Soong made a very emphatic statement on this point to the effect that the Ministry of Finance was in no position to meet the expenses necessary for the forthcoming campaign. Mr. Soong further questioned the wisdom of the government's communist suppression plans in the following significant comment:

> "....Are banditry and communism purely military phenomena and could we hope for success by an old-fashioned and costly military drive? Have not banditry and communism thriven on political, military and economic maladjustments, and will they not respond better to a systematic if unspectacular combination of political-military-economic treatment?"

The thoroughness of Chiang Kai-shek's anti-communist preparations is evident by his instructions to the provincial governments of Hupeh, Hunan and Anhwei for care in selection of suitable men to fill posts of district magistrates, whose services are considered to be most important in connection with suppression of communists. General Chiang is appreciative of the fact that both political and military measures must be employed, that mere force is insufficient, and has ordered the formation of a special party and political bureau in his headquarters to look after the administrative affairs of recovered Red affected areas.

4. CANTON

The arrival at Canton on June 27th of General Li Tsung-jen, who had been excusing himself for the past few months under plea of troop inspections, set at rest for the time being public apprehension of an impending conflict between the Kwangtung and Kwangsi military factions. It is now apparent that the alliance of these two cliques is to continue, adding stability and strength to the Southwestern Political Council.

The factional difference between the two Chens was settled July 11th and Hainan Island will revert to the Kwangtung Provincial Government. The airplanes and the larger gunboats of Admiral Chen's force will accompany General T'sai

T'ing-kai to Fukien; the smaller craft will return to Canton for river and inland water patrol.

With the virtual transfer of the larger craft to the National Government, it is quite likely that Admiral Chen Chat will join the movement to Amoy and be given an office which will practically return him to command of his ships.

While the settlement is reported to be the result of mediation of political leaders in the South, it was made possible by the strong feelings expressed by the press and the people that factional warfare at this time could not be condoned.

5. SHANGHAI

On June 17th the small triangular area in the Chapei district of Shanghai known as Area D was evacuated by Japanese bluejackets, whereupon Chinese special police resumed control of the area. The provisions of the agreement signed on June 5th for the settlement of the military phases of the Shanghai incident would seem by this movement to have been fully complied with in so far as the Japanese troops are concerned. There remain however two detachments of about 200 and 150 bluejackets each outside the settlement in Japanese owned cotton mills, which the Chinese are preparing to protest but which the Japanese claim are justified under the circumstances and do not come within the scope of the agreement.

There now remains a force of about 2,000 Japanese bluejackets within the International Settlement, a status that obtained prior to January 28, 1932.

6. MISCELLANEOUS

a. Students.

Following a cowardly and brutal attack on June 29th by the student body of the National Central University at Nanking on Mr. Tuan Shih-ping, Vice-Minister of Education, during which Mr. Tuan was badly beaten and his car wrecked, the government took drastic steps to curb the license and insubordination which has characterized student activities in the past few years, and to enforce school discipline. The Central University was temporarily dissolved and ringleaders were arrested and held for punishment. The cause of the attack was the dissatisfaction of the student body with the appointment of Mr. Tuan as Chancellor and the assault took place as he drove up to the University to take office.

The incident is but one of a series of discreditable incidents which have taken place in recent days. Tsingtao University was ordered dissolved pending reorganization due to a student strike and refusal to take examinations. In Kiangsi an attack was made on the Provincial Commissioner of Education while in attendance at a public function, because of appointment of a new chancellor at the provincial university. At Paotingfu, after a two weeks' passive siege by police of the school compound, a serious clash took place when a group of radical students fired on the police. The police resorted to arms and in the subsequent clash eight students were killed and six wounded while police casualties were four killed and twelve wounded.

The encounter occurred following dissolution of the school as a result of agitation of the students against a new director. The police besieged the school compound allowing none to enter but permitting whoever desired to do so to come out, of which privilege but few students had availed themselves.

The turbulence is not confined to students only; considerable unrest exists among teachers whose pay in the vast majority of cases is many months in arrears due to financial stringency of the government, and in many cases the students are no doubt incited to opposition to existing authority by the teachers themselves.

b. Opium.

Another anti-opium mandate calling for observance of all previously issued laws and mandates on the subject was promulgated by the National Government at Loyang on June 18th. The mandate calls for severe punishment of officials who are negligent in the enforcement of these laws and ordinances. According to a high government official, the mandate is meant to allay the rumor that the National Government is contemplating the creation of an opium monopoly and legalization of the opium traffic.

Were the "face saving" mandate taken seriously, practically every provincial official responsible for collection of taxes would be jailed, and if suddenly deprived of opium revenues the provincial finances would be disrupted.

As an instance: Taxes on opium in transit are openly collected from bus passengers in Jehol; sale and smoking of opium are officially licensed in Anhwei; in Honan it is so plentiful that it sells for thirty cents (silver)per ounce, at which price it is cheaper than cigarette smoking; while full cargoes of the drug are shipped down the Yangtze in Chinese owned steamers. At Ichang (Hupeh) the river traffic opium collection is estimated at thirty million dollars per annum and includes special taxes for safe transportation to Hankow. Even Shansi, erstwhile reputed as China's model province, has to all intents and purposes officially lifted the ban and has even gone so far as to institute a monopoly on the manufacture and dispensation of this poisonous narcotic.

In view of the above conditions and the widespread evasion and the difficulty of enforcing the anti-opium laws, in spite of the mandate and the official denial of any contemplated opium monopoly, it is reliably reported that the Nanking Government is seriously considering the establishment of an opium monopoly in an attempt to control the traffic and in order to provide the additional funds so badly needed by the National Government.

Such opposition as has been indicated to the proposed monopoly has come chiefly from provincial authorities who derive revenue from the traffic, and only inconsiderable opposition has been forthcoming from other sources. The actual institution of such a monopoly has however been postponed if not definitely rejected due to its possible mis-interpretation by the public in general.

c. Cholera.

A severe and countrywide epidemic of cholera is raging in China. For the week ending July 9, 317 cases are reported in Shanghai, 21 being fatal. At Nanking the disease claimed 87 fatalities out of 349 cases for June; 681 cases, of which 266 were fatal, are listed at Canton. Hundreds of cases are reported from widely scattered districts: Paotao (Suiyuan), Nanchang, Poyang (Kiangsi), Tanku and Tientsin (Hopei), Soochow (Kiangsu) and from west Honan, Shensi and Manchuria.

The actual number of cases is larger for only a fraction are reported to the health authorities. The task of prevention and checking the epidemic is rendered the more difficult due to the habitual disregard of the Chinese for hygiene and ignorance of sanitation.

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COMMENTS ON CURRENT EVENTS

July 21—August 17, 1932

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1. NATIONAL GOVERNMENT

a) General.

The apparent unity of action which for some months has characterized the proceedings of the National Government was suddenly and unexpectedly shattered when on August 6th Mr. Wang Ching-wei, the Chairman of the Executive Yuan (Prime Minister) formally tendered his resignation and departed for Hangchow, where he refuses to reconsider his action in spite of urgent appeals of Chiang Kai-shek and his other associates in the government.

The devious processes of Chinese politics, always mysterious for the outsider and invariably influenced by unknown and intangible factors, make explanation difficult. In his message submitting his resignation, Mr. Wang charged the Young Marshal with neglect resulting in the Jehol crisis and, in addition, with "inaction and preventing others, owing to the location of his area, from doing anything". "Although he has failed to send one man or shoot one arrow", adds the telegram, "he has had the temerity to ask for funds in the name of resistance."

In hazarding an explanation of the present difficulty it is conceivable that Mr. Wang would not have resorted to this rather drastic action had he had the real support of Chiang Kai-shek, T. V. Soong and his other associates in the government. It is the opinion of well informed observers that the Government Council had adopted a policy of "prolonged resistance" to the Japanese occupation of Manchuria and it is conceivable that the National Military Council, of which Chiang Kai-shek is Chairman and which is supreme in all matters relating to military, naval and air forces, assumed the responsibility for formulating the military plans to implement the policy of resistance determined upon by the Government Council, and that the plan (as distinct from policy) under which the Young Marshal was operating had been approved by Chiang Kai-shek and his associates in the Military Council. While the details of that

plan have not been divulged we are reliably informed that the plan provided for the immediate movement of troops to the Jehol frontier, where the forces were to be held in readiness to enter Jehol should Japanese ground troops actually penetrate into that province or should General Tang Yu-lin, its chairman, show signs of submitting to Japanese coercion. The plan also is said to provide for assisting the so called "volunteers" in Manchuria through the agencies of the Young Marshal's command.

From his record as a revolutionary and from a knowledge of his personal characteristics, it is reasonable to assume that the plan formulated did not meet with the approval of Mr. Wang Ching-wei, who advocated a more drastic resistance including immediate movement of troops into Jehol to forestall possible Japanese action there. When Mr. Wang became aware of the Young Marshal's plan and received in addition requests for several millions of dollars to put the plan in operation, it was more than the revolutionary and impatient qualities of the Chinese Prime Minister could stand and he resigned forthwith.

That the Young Marshal was in actual need of funds there is little doubt. The $2,000,000.00 retained from the earnings of the Peking-Mukden Railway, with Mr. T. V. Soong's knowledge, was urgently needed as a final payment on a large quantity of ammunition ordered from Europe and due for delivery shortly after the middle of August. The Young Marshal is placed in a very difficult position. The Japanese are threatening to attack him in order to drive him out of the Peking-Tientsin area because, they allege, he is resisting them by organizing and supplying the volunteers, while Mr. Wang attacks him publicly for not resisting the Japanese. Marshal Chang has resigned and insists that he will not reconsider his resignation and that he is determined to go abroad to study.

The latest reports indicate that the Young Marshal's resignation will be accepted, that he will be permitted to go abroad and that his political and military responsibilities will be transferred to a military council and the command of troops will be given to some suitable General capable of controlling the Young Marshal's brigades. General Yu Hsueh-chung has been prominently mentioned as a suitable leader.

It is probable that the policies and plans of the Chiang Kai-shek—T. V. Soong government will continue in that there will not be any immediate movement of Chinese troops into Jehol or any aggressive military action against Japanese troops in Manchuria, but that some military resistance to further Japanese penetration into Jehol or south of the Wall may be expected and that the so called policy of "prolonged resistance" involving the use of the boycott and "volunteer" activities will be continued.

Any considerable mobilization of ground or air forces by the National Government for the purpose of resisting the Japanese military would conceivably justify a declaration of war by Japan, in which war the Chinese would be certain of defeat. Chiang Kai-shek and his associates are well aware of this fact and will no doubt continue to refrain from offering opposition to the Japanese that might justify such a declaration, but the utilization of local or regional resources to oppose further military advances may be expected.

Though the political outlook is discouraging, the normal functions of the government continue and the Central Political Council continues to take steps to curb some of the evils that threaten China. The seizure of the postal service in Manchuria has been met by a non-intercourse blockade; customs collection on goods destined for Manchuria at ports of departure is planned in retaliation for customs seizure; an increase of import customs of luxuries is to off-set loss of Manchurian revenues; public opinion is being organized with "Prolonged Resistance" as a slogan; and a continuous stream of complaints, petitions, accusations and lamentations is being presented to Tokyo and Geneva. While some of the remedies suggested and applied seem ludicrous and puerile, the majority represent serious and constructive efforts to restore financial stability and call for action along definitely planned policies intended to regain by diplomacy and appeal to world opinion what has been lost through application of external force and through the inherent weakness of the Chinese Government.

b) Finances.

The question of finances continues to be a problem of the utmost difficulty, but under the able direction of Mr. T. V. Soong determined and effective measures are being applied to off-set the loss of revenues resulting from the dislocation of trade at Shanghai and the seizure of Manchurian customs and postal services.

Among the measures taken are rigid economy, re-adjustment of taxes, limitation of communist suppression campaign funds to a million and a half dollars monthly, and an increase of customs duties. It is worthy of note that borrowing and inflation form no part of the program.

The loss of the Manchurian revenues is to be made up by continuation for another year of the ten per cent. flood relief surtax which was to have been abolished August 1st, and increasing the customs duties on certain commodities and luxuries such as wines, tobacco, silk, natural and artificial; dyes, and numerous other items from fifteen per cent. upward over the present rate.

The salt tax is to be reorganized on the basis of a uniform rate throughout the country to stop inter-district smuggling, and the rate raised. A committee has been appointed to study the question of abolition of the speculative tael and adoption of the dollar as a monetary unit. Some of the committee's tasks will be to make recommendations as to the legal value, composition and weight of the new coin, to fix the value of the dollar in relation to the tael and find the means of assuring the confidence of the public in the coin. The latter condition calls for a uniform coin of stable silver content free from danger of interference or debasement and carrying guarantees of exchange at government mints for a fixed amount of silver of fixed fineness. The difficulty facing the government lies in the fact that it is impossible for the government to coin a large quantity of coins in a short space of time to meet the requirements of trade and business. The convenient substitute of bank notes is too dangerous in view of the lack of efficient government control over banks in

the matter of issuance of notes. Should the banks of issue increase their amount of bank notes in order to supply the necessary currency there is danger that the aggregate amount of notes will exceed the need and that the note issues will be far in excess of the value of coin and bullion security.

The present "Mex" or Yuan dollar can not be used as a substitute as the product of practically every mint, governmental and provincial, varies in weight and purity of silver counters, and this lack of uniformity has not only caused some dollars to depreciate in value but has also rendered it unsuitable for adoption as a standard of payment.

c) Foreign Relations - Japan.

The Sino-Japanese relations present a curious anomaly; after a warless war we have a peaceless peace, Japan continues in the military conquest of Chinese territory, China offers opposition by guerrilla warfare, but officially at least the relations between the two countries are undisturbed and the diplomatic amenities are unmarred by any disagreeable episodes.

With every new seizure of Chinese suzerain rights in Manchuria a "strong and vigorous" protest is lodged with Tokyo and Geneva by Nanking, in some cases retaliatory measures are planned and even executed without in any way affecting the progress of consolidation of Manchuria under the cover of Manchukuo and the aegis of Japan. In the meantime the relations between China and Japan are not likely to undergo any serious changes until the publication of the League Commission's report. What influence the latter will have on the Sino-Japanese relations is difficult to foretell; it is certain however that Japan will never agree to Manchuria being returned to an anti-Japanese China.

d) Foreign Relations - Russia.

The Sino-Russian informal conversations seem to have reached a temporary impasse. According to information from an apparently reliable source the Soviet Government agrees to a resumption of informal negotiations and diplomatic relations, and to a discussion of the questions relative to the Chinese Eastern Railway and Outer Mongolia, but Russia insists that the non-aggression pact be deferred until after the resumption of formal diplomatic relations. China on the other hand desires the conclusion of a non-aggression treaty, the prohibition of communist activity in China by Soviet officials, settlement of the C.E.R. problems, and an expressed policy of non-recognition of Manchukuo by Russia as the preliminary conditions to resumption of diplomatic relations. Mr. C. T. Wang continues to be mentioned as a suitable and probable Chinese negotiator although he denies having been officially approached in this connection.

Current rumors to the effect that the Soviets are considering the recognition of Manchukuo are apt to make Nanking negotiate on less favorable terms than it desires.

e) Anti-Communist Operations.

While extensive operations providing for the ultimate employment of two or three hundred thousand troops against the communist infested areas in Kiangsi and in eastern Honan and western Anhwei have continued throughout the period covered by this report, these operations have been overshadowed in the public mind by the threat of Japanese military invasion of Jehol and of North China. Exact information of these military operations are as a rule carefully guarded but from available reports the operations to date have not accomplished the results expected even though the areas remaining under communist control have been considerably reduced. Communist detachments, dispersing under the threat of attack by superior forces, are reported as attempting to escape from the areas against which the operations have been directed. Reliable reports have been received that communist bands, under pressure of Chiang Kai-shek's troops, are attempting to cross the Yangtze from the north in an effort to join up with other communist bands to the south where the immediate pressure is not so apparent.

2. JEHOL

Towards the end of July the Jehol situation overshadowed even the situation in Manchuria and the press has been full of rumors and discussions as to the Japanese intentions of using the Ishimoto abduction as a pretext to expand Manchukuo territory by invasion of Jehol and even Tientsin and Peiping. To date, however, in spite of persistent rumors, Japanese action against Jehol has been limited to bombing of volunteers who still hold Ishimoto, and all is quiet in North China, though possibly it is the quiet before the storm. The resignation of the Young Marshal has no doubt tended to lessen the probability of Japanese action.

To the Japanese militarists Jehol is a part of Manchuria and geographically and economically speaking they may be right. Economically, Jehol seems to offer no great inducement to Japan, busy with the creation of a new state, a very considerable part of which is actively hostile. The province is mountainous, rainfall is scarce, products except for opium, of which a large quantity is raised, are limited to small quantities of wool, hides and livestock. Everything considered, it seems improbable that the Japanese will in the near future undertake the military conquest of Jehol, although it is now shown on their maps as a part of Manchukuo. It would seem more likely that they will wait until the volunteers have been suppressed, Manchuria tranquillized and Manchukuo well established, at which time Jehol could be gradually acquired by that slow but certain process at which the Japanese are expert.

Tang Yu-lin, the Governor, belongs to the group of older Manchurian generals, followers of Chang Tso-lin. Like many of these gentlemen he has never been an ardent Nationalist nor has he ever given unstinted support to the Young Marshal. While he owes allegiance to the Chang family he no doubt has made every effort to keep on good terms with Manchukuo and the Japanese in order to be left alone to enjoy the fruits of his opium traffic. However it is quite probable that should an armed invasion of Jehol take place Tang would resist it, given support from the South. Now that public opinion has been

wrought up, as one of Tang's representatives said in Peiping, "at this late hour in his life he would never take the risk of being pilloried in history as a traitor". There are times when to the Chinese "face" is of more consequence than money.

At a conference in Peiping of all the important northern generals, the governors of Shantung, Shansi, Suiyuan and Chahar, and representatives of the Central Government, it was unanimously decided to resist, and Generals Han Fu-chu, Shang Chen, Shih Yu-san, Hsu Yung-chang, and Fu Tso-yi all pledged cooperation and support. Should the Young Marshal's resignation be permanent, now a seeming probability, the effectiveness of this cooperation will depend on the action and effectiveness of the newly formed Military Council which supersedes him in matters relating to the defense of North China. In view of the difficulties invariably preventing unity of action or of military control of Chinese troops, little can be expected in the matter of effective resistance. Whatever the result, it is significant that these generals, until recently members of groups which have been contending with each other for the control of North China, have now agreed to pool their interests in the face of a common threat.

5. MANCHURIA

a) General.

With the object of unifying the administration in Manchuria the Japanese have appointed General Muto, who is a member of the Supreme Military Council of Japan, the Commander-in-Chief of the Japanese Army in the Kwantung Territory, and also concurrently ex-officio Governor of Kwantung. General Muto is also vested with a special diplomatic status of having rank of envoy with plenipotentiary powers virtually of ambassador to Manchukuo. The appointment is regarded with alarm in Chinese official circles as a step toward formal recognition and ultimate annexation. There are other indications that point to the coming recognition, - the steady clamor of the Japanese press, increasing demands from the army, propaganda and speeches of political leaders, - all these point to the fact that no matter what the decision of the League may be Japan has made her decision to have and to hold in spite of every sacrifice.

However, Japan is finding that the task of setting up the "independent" state of Manchukuo is beset with ever growing difficulties. The vast area and poorly developed communications tie the Japanese columns to the vicinity of railroads; bandits and volunteers harass and destroy; Manchukuo troops are but a broken reed, and now that the kaoliang grows higher the irregulars are bolder——bolder not only in North Manchuria but bold enough to cause the suspension of night traffic on the South Manchuria Railway.

Nature, not to be outdone by man in the work of destruction, is adding to the calamities. Unprecedented floods have inundated a large part of Manchuria. Traffic is suspended on the Chinese Eastern Railway, bridges are washed out, in some parts of Harbin the inhabitants have been driven to the upper stories, and cholera and banditry are adding to the destruction

and distress. Outside the railway zone every vestige of police control is suspended, bandits murder and pillage without hindrance from the impotent new government, and instead of peace and order conditions have been aggravated.

One of the features of the current situation in Manchuria has been the steady exodus of Soviet officials from Manchuria. During the last few weeks many Soviet officials, including several members of the Soviet consular service, have left Harbin for Moscow. Their recall is a matter of speculation since many of them have filled their posts for several years and are fully acquainted with local affairs. Probabilities are that their departure had some connection with the numerous arrests of Soviet citizens for alleged implication in terrorist plots.

b) Customs.

The complete ousting of the staffs of the Chinese Maritime Customs was effected last week. The National Government in retaliation is considering the imposition of special customs dues equivalent to the import duties normally to be paid at Dairen and Newchwang on goods leaving China for Manchurian ports, in which case any attempt by Manchukuo to levy import duties on them would have the effect of subjecting them to double taxation.

The effects of these or similar measures are doubtful; they do not hamper Japanese imports into Manchuria and it is unlikely that Manchukuo would abstain from countermeasures directed at Chinese imports. Indeed it is difficult to see what effective retaliatory measures China can bring to bear. An actual blockade with China's pitiful navy is not to be thought of, and imposition of duties on Manchurian products would be equivalent to the acknowledgment of the Manchukuo State.

In view of the above, it is believed that the blockade will be given up as impracticable and be put off indefinitely. Manchukuo in the meantime has declared that foreign obligations of China will receive their proportionate share of the Manchurian customs receipts. In fact, one-third of the customs revenue detained before the seizure of the Manchurian customs, amounting to over one million two hundred thousand dollars Mex, has been paid over to the Chinese customs by the Dairen branch of the Yokohama Specie Bank, whereupon China released the Japanese portion of the Boxer Indemnity which had been retained.

c) Postal Service.

The seizure of the customs was followed by inroads into the Postal Administration which by the end of July was equivalent to a virtual taking over of the entire system. The postal staffs were given the choice of remaining or being deported to China, a large majority electing to take the latter course.

The quitting officials were replaced by new men, Manchukuo stamps were put on sale, and the Manchurian postal service is functioning, though poorly and ineffectively. However, additional inexperienced staffs are being recruited

and conditions will probably improve in the near future. It is reported that foreign mail will for the time being be stamped with Japanese stamps, pending the entry of Manchukuo into the Postal Union.

China's counter-measures consisted of a suspension of postal services to Manchuria. Mail is not accepted for Manchuria. Manchurian mail is received and delivered in the routine manner but Manchukuo stamps are not recognized. Mail for Europe is diverted to sea routes by way of Suez or America. However, to avoid complications arising from Japan's special position in the Kwantung Leased Territory, Chinese postal service in the peninsula has been resumed. Of course the usual protests were filed with Tokyo and Geneva.

It is interesting to record that the work of taking over the service and distribution of stamps, etc., was done entirely by the Japanese. The Postal Commissioner in Manchuria stated that in all his recent relations with the "Manchukuo authorities" he has not once had occasion to deal with any person other than Japanese.

d) Telegraph and Radio.

Protests were filed with Tokyo not only with reference to the seizure of the postal service but the telegraph service as well, citing that the Japanese Communications Administration, in violation of the Sino-Japanese telegraph and radio agreements, has already informed the National Telegraph Federation that hereafter all telegraph and radio messages between Manchuria and other countries might be filed via Japan.

With reference to the seizure of radio facilities and the opening of direct radio traffic between Mukden and San Francisco, Mukden and London, and with Berlin, the National Government is contemplating the cancellation of agreements entered into between American, British and German interests and Chang Tso-lin, the former Manchurian warlord, as well as the usual protests against seizure of Chinese Government property and facilities. It is also reported that suspension of telegraph and radio traffic has been decided on between stations in Manchukuo and China.

e) Wharves and Piers on the Sungari.

The seizure of the wharves and harbor installation belonging to the Chinese Eastern Railway on the Sungari River by the Manchukuo river squadron practically completes the monopolization of the loading, transferring and discharging of freights on the Sungari by Japanese interests, principally the Kokusai Uniu Kabusiki Kaisha, the largest Japanese transportation and forwarding company which is actually but a division of the South Manchuria Railway.

The seizure, which is counter to the interests of the Soviet Government, was conducted under Japanese auspices and among the reasons advanced were the necessity of regulating the shipping on the Sungari to help the Japanese in the anti-volunteer campaign, and the necessity for control over contraband arms and munitions presumably shipped from Russia.

4. MONGOLIA

The Japanese are making every effort to secure the support of the Mongol princes by promises granting autonomy to Mongolia as a part of Manchukuo, and freedom from exploitation by their former Chinese masters. That their efforts have been successful can be seen from the fact that at a special meeting of Mongol princes of the Barga Province presided over by Prince Gui Fei, administrator of Barga and one of the most popular princes in Mongolia, resolutions were passed recognizing the government of Manchukuo.

There is no doubt that a large majority of Manchus and Mongolians are monarchists, and it is reported that many Mongolian princes have travelled to Changchun to pay homage to Pu Yi, and upon return were able to dispel the doubts of those monarchist Mongols who refused to believe that a Manchu was again the head of the government of Manchukuo.

The true attitude of the Mongols with reference to the present Sino-Japanese affair is revealed by a confidential statement made by a very prominent Mongol prince some months ago to a traveller and explorer resident in Peiping: "We would much rather be ruled firmly by a courageous people than oppressed by a cowardly one. The only reason that we can not make our attitude public is the fact that we do not know the extent to which the Japanese are willing to back their venture".

5. CANTON

Following the evacuation of Hainan by Admiral Chen's marines, General Chen Chi-tang has been transferring his troops to take over the garrison duties of the island, and has detailed General Chan Cheung-po to act as pacification and rehabilitation commissioner of Hainan.

It will be recalled that prior to the disagreement between the two Chens, Dr. C. C. Wu had been appointed as Special Administrator of Hainan with the mission of creating a model administrative area for the development of the natural resources of the islands without political interference. Since the use of Hainan by the secessionist navy as a base of operations against Canton, General Chen is no longer in favor of instituting a civil government on the island, which means the cancellation of Dr. Wu's appointment, who has resigned his connection with the Canton Political Council and the Cantonese Government.

In summing up the results of the Cantonese dispute, it may be said that the victory went neither to General Chen nor to the Admiral, and the only result has been the strengthening of the 19th Route Army in South China, which means that the National Government is the real gainer, for the 19th Route Army has of late been steadfastly loyal and non-partisan.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS.

Aug. 18 - Sept. 14, 1932.

RECEIVED G/2 W.D. OCT 11 1932

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1. NATIONAL GOVERNMENT.

a) General.

The resignations of Wang Ching-wei and Chang Hsueh-liang which for a time seriously threatened the stability of the Central Government have apparently resulted only in an increased centralization of power in the hands of Chiang Kai-shih and a relative diminution in the influence of Mr. Wang and his Cantonese associates.

In view of the frequent expressions of criticism aimed at the Young Marshal by the political elements in Shanghai, and South China generally, who were no doubt not fully informed as to the measures for "resistance" that had been approved by Chiang Kai-shih and put into effect by the Young Marshal, Mr. Wang no doubt expected a more favorable public reaction to his attack against the latter.

During the interchange of messages and the inevitable press comments incident thereto throughout China, the public became aware that the Young Marshal was being attacked by Mr. Wang for not resisting the Japanese and by the Japanese for resisting. Messages presumably sent from the leaders of the "volunteers" denounced Mr. Wang as a meddling politician, accused him of attempting to lessen the efforts being made by their organizations in Manchuria and even suggested that he had some "understanding" with the Japanese. It became immediately obvious that the Young Marshal had in fact been assisting the volunteers and that his resignation, under pressure, would adversely affect the morale and effectiveness of the "irregular" activities against Manchukuo and particularly the anticipated resistance to Japanese penetration into Jehol. The Young Marshal's position has as a result been improved and the authority of the "Chiang Kai-shih - T. V. Soong" combination increased.

Chiang Kai-shih was designated as Chairman of the newly created Hopeh Branch Military Council but he has delegated the Young Marshal to represent him during his absence. No one expects the Generalissimo to actually attend any of the meetings of the Council.

In the meantime the possibility of an invasion of Jehol and of the military operations incidental to its protection by Chinese armies continues to be a source of grave concern to the

National Government. Considerable difficulties have been experienced by the finance minister in collecting additional funds to meet the demands for ammunition and payment of troops for these and anti-communist operations now in progress.

With reference to Manchuria, the policies of the National Government were enunciated by the Minister of Foreign Affairs Mr. Lo Wen-gan on August 29th at Nanking:

"Neither the Chinese Government nor the Chinese people entertain the least anti-foreign feelings. However in view of the present state of affairs produced by Japanese military aggression, it would be absolutely impossible for the Chinese people to express the most cordial and friendly sentiments to the Japanese people. It entirely rests with Japan herself to improve and restore the relations between the Chinese and the Japanese people.

"China will never surrender one inch of her territory nor any of her sovereign rights under the stress of military force which she condemns and is determined to resist to the best of her ability.

"China will never agree to any solution of the present situation which takes into account the puppet organization of the Three Eastern Provinces, established, maintained and controlled by the Japanese military forces.

"China is confident that any reasonable proposal for the settlement of the present situation will be necessarily compatible with the letter and spirit of the Covenant of the League of Nations, the Anti-War Pact and the Nine Power Treaty, as well as with China's sovereign power, and will also effectively secure everlasting peace in the Far East."

b) Finances.

Obtaining sufficient revenues to meet the current needs of the Government and of the anti-communist campaign continues to be one of the major problems of the National Government.

The dislocation of trade caused by foreign and domestic strife, the lower purchasing value of the Mex. dollar as well as the depressed business conditions throughout the world have affected the revenues derived from import and export taxes to such degree that the production of funds has become truly a financial feat. New sources of revenue must be tapped to cover deficits such as that incurred in the communist suppression campaign which, according to administrators of the War Ministry, has accumulated a deficit of 1,340,000 up to July.

One such new source of revenue has been found by taxation of banknotes issued by the Chinese banks of issue. The tax of 1 1/4 percent is levied on the 40 percent of the note issue which is backed by the security reserve. The 60 percent of the issue which is supposed to be backed by a specie reserve is not taxed. The tax which therefore amounts to 1/2 of 1 percent on the note issue, was arrived at by compromising with bankers and has yielded 3,060,000 dollars.

The financial embarrassments of the Government affect not only the governmental institutions but indirectly a number of activities which are not on the government payroll. One of the sufferers is the China Foundation which drew its revenue from the American Boxer Indemnity Funds. After the declaration of the one year moratorium on payment of American Boxer Indemnity last March, the Ministry of Finance was to issue the Foundation a sum of 1,000,000 Mex. dollars for the period of the moratorium. However the first payment due July 1st is as yet unpaid, and probabilities are that in view of the stringent financial condition of the Treasury a moratorium will be declared on that also.

c) Anti-Communist Operations. - See Report 8368.

2. THE CHANGES IN PEIPING.

The effect of the resignation of Chang Hsueh-liang which was followed by the appointment of a council of eighteen prominent generals for the administration of North China, outwardly caused scarsely a ripple in the old Capital. The subsequent appointment of Chiang Kai-shih to the chairmanship of the Hopei Branch Military Council (its full designation) and his prompt designation of the Young Marshal as his acting representative and chairman pro tem, made the resignation a mere "beau geste". It gained Chang Hsueh-liang a lot of face making him a victim of political intrigue and a patriotic official who sacrificed his position for the preservation of unity, rather uncommon conduct among Chinese officialdom. As for the fifty-seven generals who wished to commit a political "hara-kiri" with him, their resignations of course were not accepted and the final result was that the Young Marshal emerged stronger than ever while additional power fell into Chiang Kai-shih's hands. What Wang Ching-wei's motives were is difficult to tell, but it is unlikely that he anticipated that his action would serve further to centralize the power of Chiang and Soong.

It is interesting to note, however, that the whole change went off smoothly, without attempt on the part of anyone to create a coup d'etat, whereas in the past these events would have been the cause of defections and possibly of a major revolt against Nanking.

3. REACTIONS IN CANTON.

With the establishment of a branch military council and the extention of Chiang Kai-shih's power to the North, the uneasy military commanders in South China, including those of Yunnan and Kweichow as well as Kwangtung and Kwangsi, and possibly Hunan and Fukien, are reported to be preparing a petition to Nanking for authority to organize a branch military council in South China with headquarters in Canton. This desire for a local council is easily understood when one considers that a branch military council is the highest military organ within the territory over which it has jurisdiction, and has functions of territorial defence and pacification. Under the sphere of its activities come not only the appropriation and supervision of military expenditures, but the question of armaments and supplies as well, and within its jurisdiction it has as much power as the military council at Nanking.

An additional instance of partizan feelings in the South is seen in the resolution of the South West Political Council to establish a Supreme Court at Canton. The Southerners justify their action by the difficult and inconvenient nature of the means of communication between Canton and Nanking and by the present known congestion of the courts at Nanking.

This attempt at judicial independence has been met by vehement protests by the Judicial Yuan at Nanking to the effect that such action will diminish the dignity of the law, impair the effectiveness of decisions of the Supreme Court and in general will result in disorganization and irritation due to the resultant division of authority.

The present policy of the Central Government of placing dependence on the League and of passive resistance to Japanese efforts in Manchuria is not viewed with sympathy by the South West Executive Committee of the Kuomintang which telegraphed Nanking urging immediate despatch of troops outside the Great Wall to recover the lost territory, declaring that should the Central authorities further desist from positive action, they must at least accept the alternative of allowing and openly encouraging the freedom of action of the volunteers. The message deplores the promises to fight and calls for the foundation of concrete plans and the transmutation of words into deeds.

4. MANCHURIA.

a) General.

The last vestige of Chinese control of the Manchurian Provinces practically disappeared upon the arrival in Mukden on August 26th of Ambassador Plenipotentiary, - General Nobuyeshi Muto. The process of taking over control of the Customs, the postal service and the courts continued throughout August until by September 15th practically every function of the government of the Three Eastern Provinces was being administered by Japanese "advisors" to Manchukuo.

General Muto is now formally installed as Commander-in-Chief of the Japanese Army in Kwantung and Manchuria, Governor General of the Kwantung Leased Territory and the head of the Japanese diplomatic and consular services in Manchuria. As such General Muto will be directly responsible for carrying out Japanese policy with respect to Manchukuo and will be subject only to dictation and control of the Imperial Japanese Cabinet at Tokyo.

Before leaving Tokyo General Muto was empowered to "negotiate" a treaty with Manchukuo called the "Japanese-Manchurian Protocol" which is reliably reported to contain the following provisions:-

1. Formal recognition by Japan of the "State of Manchukuo".
2. Respect of mutual territorial sovereignty.
3. Respect of Japan's treaty rights and interests in Manchuria.
4. Recognition by Manchukuo of Japan's rights to station troops anywhere in Manchuria (instead of in railway zone only).
5. Undertaking by Japan to defend Manchukuo against interference or external menace (eliminating necessity for a Manchukuo Army).

6. No time limit for the duration of the treaty. The above treaty is to be accompanied by an unpublished secret military agreement.

The Japanese Foreign Office claims that the treaty does not constitute a protectorate since no clause is contained for supervision of Manchukuo's foreign and financial affairs.

Upon conclusion of this treaty or "protocol" virtually giving official recognition to Manchukuo State, the north eastern provinces of China will come under Japanese control, China's sovereignty will have virtually disappeared and the League of Nations will be faced with a "fait accompli" in the form of a new and "independent" state. (The organisation of the new state is given in detail in Report No. 8575).

b) Finance.

With expenditures reckoned at about $85,000,000 (Mex.) and income at $65,000,000, (in round numbers) the Manchukuo government faces its first year of operation with a twenty million dollar deficit. This is to be made up presumably by borrowing from the Central Bank of Manchukuo.

The Central Bank of Manchukuo after several delays was formally opened July 1, 1932, and is an amalgamation of four leading Manchurian banks, the Frontier Bank, Bank of the Three Eastern Provinces, the Yung Heng Governmental Bank of Kirin and the Provincial Bank of Heilungkiang. The president is Mr. Yung Hou, former Finance Commissioner at Kirin but the actual head is vice-president K. Yamanari, formerly director of the Bank of Taiwan (Formosa). The capital is 30,000,000 (Mex.) subscribed half by the state and half by private interests. The yuan, basic coin of new currency, is to contain 23,91 grams of pure silver. It is proposed that the heterogeneous currencies now in circulation will eventually be retired, and replaced by Manchukuo National banknotes, of which 3,000,000 was received at Dairen on August 16th from Japan.

It is reliably reported that a government lottery system will be inaugurated shortly to aid the Manchukuo exchequer.

The lottery office is to open in Changchun with ticket agencies in different centers. The drawing will be monthly and each ticket to sell for one dollar, of which 50% is to go for prizes, 15% to the government and 35% to be distributed in rural relief.

It is quite likely that this system of revenue production will be quite effective. Gambling in any form is dear to the Chinese heart and lottery tickets of numerous national and private enterprises find ready patronage.

c) Postal Service.

The sudden suspension of the postal service by the Chinese on July 24th found the Manchukuo government unprepared for the hurried taking over. Although bonuses were offered the old employees, only about twenty per cent. joined the new administration and these, although bolstered by some trained Japanese postal officials, are still unable to carry on the operations of the postal system efficiently. While with the Japanese assistance along the railway lines and in large centers of population the service is functioning to a certain extent, in the rural districts the service has completely broken down. Rural deliveries were effected by an extensive courier system, which operated due to the fact that rural carriers as employees of the Chinese government were not molested by any of the anti-Manchukuo factions. With the collapse of the Chinese postal system, the entire

courier organization broke down, the Manchukuo officials and carriers not daring to go into the extra-rail zones infested by anti-Manchukuo desperadoes, which in the final analysis means that a vast part of Manchuria is and will remain without postal service for some time to come, for there is hardly a district which is not hostile to the new government or its Japanese backers. The breakdown of the postal service will not only affect the revenues of the new state but is likely to have serious though possibly a temporary adverse effect on the economic life of the country. The acquisition of postal independence is offset by an immediate deficit of approximately 100,000 (Mex.) dollars monthly, loss of contact with a vast, desperado-ridden hinterland, and a depressing effect on the economic life of the land, already disrupted by banditry, interruption of railroad service and the taking over of the customs.

5. THE SHANGHAI SITUATION.

Acts of terrorism such as bomb throwing and writing of threatening letters by various "bloody groups" of criminally patriotic anti-Japanese boycott societies have again caused a feeling of tension in Shanghai. While the merchants resent the meddling with their interests they nevertheless comply with the orders of "Youth Blood and Soul Corps", "The Body of Salvation for the Riddance of Traitors", "The Peoples of Self Salvation Society", "Iron and Blood Corps for Extermination of Traitors" and similarly named boycott associations which have been responsible for a number of bombing outrages, against shops buying, selling or even storing Japanese goods. These activities have hardly had conciliatory effects on the Japanese who countered by organizing "Red Jacket Protection Corps" and Japanese Police Corps. Japanese military and naval activity was increased, the cruiser Idzumo ordered from Hankow, and the 3rd Squadron of the Japanese Navy which was stationed in Shanghai in January, February and March, is reported to have been ordered to return there.

The situation is aggravated and the Mayor's position made more difficult, by the fact that public opinion strongly supports the boycott, even to the point of taking coercive measures to prevent "traitors" dealing in Japanese goods. A serious effort is being made to curb the deplorable terrorist methods used by the few irresponsible and radical organizations, and a repetition of the serious incident of January last is not expected.

In the meantime the position of General Wu Te-chen, Mayor of Shanghai, is unenviable. On the one hand he attempts to pacify the incensed Japanese by pointing out the impossibility of forcing people to purchase when they do not wish to do so, and the difficulties confronting the city government in dealing with the elusive bombers, while on the other hand he endeavors by appeals to the press and prominent public bodies to put the soft pedal on anti-Japanese propaganda and the terrorist campaign.

6. MISCELLANEOUS.

Cholera.

Cholera which raged throughout the country during July and August is slightly on the wane. Cases and high mortality are reported from such widely separated areas as the provinces of Suiyuan, Kiangsu, Kwangtung, Honan, Fukien, Shensi and Hopei. Shanghai, Swatow, Amoy, Canton, Tientsin and other treaty ports are not free from it. In Peiping the number of cases is small and the type not very virulent, while in Nanking the deaths are

so numerous as to cause a shortage of coffins. Numerous cases are reported daily from Manchuria where the disease is still rampant.

However, shortly with the passing of the cucumber and the watermelons so dear to the Chinese heart, the epidemic will disappear as suddenly as it came, to reappear again next summer when watermelon rinds covered with millions of swarming flies will again endanger the footing of the passerby in street and Hutung.

It is a sign of progress that everything considered the epidemic is being fairly effectively combatted, the health and police authorities being aided by the vernacular press. In the larger centers screens are making an appearance over food sold by peddlers, swat the fly campaigns are on, anti-cholera innoculations are administered and intensive propaganda calls for boiling of food and drink. In Wuchow, Kwangsi, where with the appearance of cholera no fresh fruit was allowed to be sold and vending of tea and soup on streets prohibited, the disease never reached the stage of an epidemic.

The task of the police and public health authorities is not easy, and overcoming the traditional indifference of the average easy going Chinese to filth and flies, and the utter disregard and ignorance of even rudimentary sanitation, is truly a herculean task. Habits of hundreds of generations are not to be changed in a year or a decade and a viewpoint that regards the blowing of nose and replacing a handkerchief back into the pocket as a filthy habit can not easily be changed by slogans and campaigns even of American intensity.

W. S. Drysdale.

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COMMENTS ON CURRENT EVENTS

September 15 - October 12, 1932.

1. National Government
   a. General
   b. Finance
2. Supreme Court in Canton
3. The Shantung Imbroglio
4. The Anti-Communist Campaign
5. Manchuria
   a. General
   b. Russian Relations
   c. Chinese Eastern Railway

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1. NATIONAL GOVERNMENT

a. General.

The report of the Inquiry Commission of the League of Nations headed by Lord Lytton, regarding which there had already been considerable discussion in the press, was formally delivered to the Nanking Government on October 2nd. There can be little doubt that the Tokyo Government was aware that the report would in all probability not be favorable to its action in Manchuria and statements had been released by Japanese authorities outlining in detail that Government's position and the reasons which compelled Japan's action in Manchuria in advance of the release of the report, thus anticipating and in a measure allaying possible adverse public opinion in Japan.

To the careful reader the report is not favorable to Japan, - it does not consider Japanese military action in Shanghai or Manchuria as appropriate defensive measures, it clearly rebuts Japanese claims that the independent state of Manchukuo was the result of the free will and desire of its 30,000,000 inhabitants, and it submits an opinion that Japan's action was a violation of treaties.

We are reliably informed that the report as originally drafted by Lord Lytton was more clearly and unmistakably critical of Japan's action but that on the advice of other members of the Commission the wording was toned down so as not to be unnecessarily irritating, in the belief that subsequent action implementing the recommendations of the Commission would be easier of attainment.

To the intelligent and neutral reader the report is a clear and unbiased statement of facts, the conclusions are logical and deducible from the facts, and the recommendations for a settlement (in the improbable event of Japan's acceptance) are reasonable and beneficial to both parties.

After personal conversation with numerous Chinese officials and their intimate advisers, it is apparent that the report, including its conclusions and recommendations, is acceptable to the Chinese Government and with minor reservations

official announcement to that effect will be made. Chinese realize that China, through its own resources, is impotent in the face of Japan's military strength and that in case China is to secure a retrocession of any of its former authority in the Northeastern Provinces they must have the support of the League and of the United States. In true oriental fashion the Chinese will no doubt raise objections to certain features of the proposed settlement so as not to unnecessarily weaken their position in advance of the negotiations they ardently hope will begin.

It is obvious that those political groups in opposition (Sun Fo, C.C. Wu, Hu Han-min, etc.) will vigorously denounce the report and Nanking's acceptance of it for political reasons. The opposition is stressing the necessity for China to secure a return of Manchuria by her own efforts, if necessary by military force, insisting that the report is a means the Powers have of avoiding their responsibilities under the Kellogg and Nine-Power treaties, and maintaining that recommendations alone, in the absence of some coercive measures, will not affect the Manchurian issue. The latter statement may unfortunately be justified.

Since the release of the report the Nanking authorities have been making a careful study of its contents and numerous conferences have been held by all the important officials with a view to adopting a policy with respect to the situation created and of formulating an official reply which is to be released shortly. Even Mr. Wang Ching-wei, the disgruntled Chief of the Executive Yuan who remains absent from his duties at Nanking, has been consulted and the action when taken will represent, so far as it can where oriental Chinese are concerned, the combined opinion of the responsible officials of the Government. In the meantime the scene is shifting to Geneva where Nanking is preparing to begin her first intensive diplomatic effort. It is in Geneva that China's master minds are now assembling to prepare for the critical period ahead. W. W. Yen, Wellington Koo and Quo Tai-chi, with a large number of secretaries and advisers, are now assembling to plead for China's case before the League.

Meanwhile the volunteers continue unusually active in Manchuria where the Japanese troops are finding it impossible to maintain order, and the anti-Japanese boycott throughout China continues effectively. The Chinese no doubt hope that these conditions will be a factor in lessening Japan's determination to go her own way in disregard of the League recommendations and of world opinion.

Tokyo has already recognized Manchukuo as an independent state and Japanese responsible officials have declared that the Manchurian venture is settled and that their present policy will in no way be affected by League recommendations.

b. Finances.

The financial stringency confronting the national treasury has resulted in the announcement of a general reduction of salaries of government employees on a scale ranging from payment in full on the minimum wage to cuts as high as forty

per cent. on the maximum. The retrenchment policy was also accompanied by reduction in personnel of various ministries. The dismissal, however, largely affects petty clerks, and as is usual, highly paid governmental officials who owe their positions to political influence are not disturbed in the enjoyment of their sinecures.

It is notable that although in desperate financial straits as a result of shrunken revenues and failure to receive the Manchurian quota, the September liabilities of the salt loans were met in full.

The abolition of the tael, which was to become effective on January 1, 1933, has been postponed for an indefinite period. The postponement is due to consideration of a statement of the association of the Shanghai native bankers who opposed the change at this time due to the disturbed condition of the markets and because of the inability of the government to provide the safeguards and assurances necessary to the conversion. However, as a concession to the desire of the authorities of the Ministry of Finance to stabilize the Chinese currency, the bankers agreed to waive the service charge on tael-dollar (Mex) exchange.

2. SUPREME COURT IN CANTON.

The establishment of a Southwestern Branch Supreme Court in Canton in spite of the Nanking injunction against such action was followed by instructions by the Judicial Yuan in Nanking to all Chinese courts not to recognize the rulings of the Canton tribunal, that body being extra legal and without jurisdiction. While to the alarmist the open defiance of the National Government in this matter may seem a matter of tremendous consequence, it must be pointed out that in the loosely-knit Chinese Republic anomalous conditions are the rule rather than the exception, and that Canton has had its own Branch Political Council and the Southwestern Kuomintang Executive Committee and yet has cooperated with Nanking in all matters of national importance unless they were against the interests of the South.

3. THE SHANTUNG IMBROGLIO.

The repercussions of the Canton-Hainan dispute had hardly died down when another little war of the same type burst in Shantung between General Han Fu-chu, the Chairman of the Province, and General Liu Chen-nien. General Liu, division commander of the 21st Division with headquarters at Chefoo, by usurpation of military and civil functions and retention of district revenues during a period of about five years, built up a military force stronger than his commission warranted and gradually came to regard the Northern Shantung Peninsula as his private domain, independent of the Shantung Provincial authorities.

The immediate causes of the disagreement which resulted in the military operations by Han are given as the failure of Liu to keep peace and order in his area, oppressive taxation, retention of revenues and dissatisfaction with the

division of the military allowances from the National Government. The real reason however is Han Fu-chu's desire to get rid of his defiant subordinate, regain authority over east Shantung and especially to gain control of the important and profitable port of Chefoo.

Under pressure from Nanking the hostilities have ceased after practically all of the peninsula had been regained by Han and Liu was bottled up with the majority of his forces in the fortified city of Laichow.

The public condemnation of this discreditable outbreak of regional militarism was prompt and remarkable in its unity. But a short while past hostilities between militarists fighting for more territory and more revenue to recruit and maintain large armies would hardly have caused any adverse comment: like banditry, feudal wars have existed in China from time immemorial and have been looked upon as an unavoidable if not necessary evil. The Chinese viewpoint has ever been that the rise in power of a militarist necessarily causes the elimination of weaker rivals, until he in turn becomes a potential menace to a more ambitious and dangerous neighbor. This process of absorption has been going on for centuries, lessening in intensity during strong reigns. Since the fall of the Manchu dynasty and the establishment of the Republic it has been especially virulent and has caused disintegration, chaos and endless turbulence.

The Shanghai incident and the seizure of Manchuria have been instrumental in developing a feeling of nationalism which in the past has been foreign to the Chinese characteristics, and brought about the realization that only by unity can China prevent her dismemberment by external foe and extinction from internecine strife by feudalism maintained by vast hordes of armed men: armies which constitute more of a menace than foreign aggression.

In the meantime the appeals of the Anti-Civil War League for cessation of hostilities have been fruitless, and the rapid advance of Han's troops proved more effective in stopping the fighting than the orders of the National Government. The ultimate outcome is as yet not in sight but it is safe to predict that it will end in the usual compromise after much bargaining and possibly with a transfer of Liu Chen-nien to other fields of endeavor where he can start afresh.

4. <u>THE ANTI-COMMUNIST CAMPAIGN</u>.

The campaign for suppression of the communist forces and liberation of the sovietized districts is making slow but steady progress. This progress however should not be expected to produce more than a temporary improvement unless the steps now being proposed to uproot the political and economic desperation which feeds the growth of communism are effectively applied. Until this cancer is removed and official corruption and inefficiency done away with no permanent improvement may be expected.

The campaign however is accomplishing another object. It is keeping a vast army of men occupied, is training troops and staffs and may possibly be serving the same purpose that the Mexican Border service did to the National Guard prior to our entry into the World War.

5. MANCHURIA.

a. General.

With the signing of the recognition protocol on September 15th at Changchun by General Muto and Premier Cheng Hsiao-hsu on behalf of Japan and Manchukuo respectively, the new state was formally established and the plans of a powerful military group in Japan were further advanced. The formal process of recognition began in Tokyo on the 13th of September when the Privy Council meeting in plenary session approved the recognition and formally sought and obtained the Imperial sanction for the act.

The published text of the protocol (see Report No. 8397) is reported to have been accompanied by a secret military agreement, though it is difficult to conceive why the latter should be necessary. The clause regarding military cooperation in the event of threat to the territory of either signatory, and permission for Japan to station troops in Manchukuo, opens to Japan a reservoir of thirty million inhabitants to furnish conscript levies for possible emergencies.

With the recognition the Japanese military are enabled to pour such additional troops into Manchuria as they deem expedient, for the protocol limits neither the number nor the distribution of the Japanese forces. With additional increments wider activities may be expected in suppression of the volunteers and irregulars, whose operations have disorganized the railways and plunged the economic life of the country into chaos.

The recognition was immediately followed by severing the last vestige of ties with China by a manifesto treating China as a foreign country as regards maritime customs, trade and navigation.

Because of the many past indications of the certainty of the recognition, the actual act caused but little surprise in China and on the whole, aside from caustic editorials in the press, aroused but little repercussion.

b. Russian Relations.

In spite of the many rumors of friction as to the alleged encroachment of territory by Soviet forces at Manchouli, the dispute over the wharves on the Sungari, and other questions, the Russo-Manchukuo relations appear amicable.

Though formal Russian recognition of Manchukuo has not taken place, the Soviet have agreed to accept accredited Manchukuo consuls and staffs for station at Blagoveschensk, Habarvosk, Vladivostok and other points in the Soviet Far East.

The first of these consuls, Mr. Kuei Hung-chih, formerly Assistant Commissioner of Foreign Affairs at Harbin under the old regime, left Harbin on September 16th for Blagoveschensk by way of Korea and Vladivostok accompanied by Vice-Consul Sitnitsu, a Japanese, and a staff from Changchun.

As for the actual recognition it is believed that the Soviet Union, exceedingly cautious in its foreign relations, is not likely to recognize Manchukuo until it is certain of the effect of the recognition and the benefits that might accrue to it from such action. The question is, what do the Soviets want and what are Manchukuo and Japan prepared to give for the advantage of recognition by an important world power and next door neighbor? Moreover such recognition would make any attempt by the League of Nations to change the present status of the Manchukuo Government even more futile, and would facilitate the settlement of many outstanding questions relating mainly to the Chinese Eastern Railway which constitute the main possible source of friction between the Soviet Union and Manchukuo.

In this connection the recent departure of Mr. Ohashi, Vice-Minister of Foreign Affairs of the Manchukuo Government, for Harbin, where he called on the Soviet Consul General, and the call of the Manchukuo envoy, Mr. Pao Kuan-cheng, on the Soviet Ambassador, Mr. Troyanowsky, in Tokyo, are alleged to be connected with the conduct of preliminary negotiations with the representatives of the Soviets for the conclusion of a basic agreement for the recognition. The policy of Manchukuo is to succeed to the treaties actually existing between Russia and China. Nanking's (particularly Chiang Kai-shek's) drastic action against communists in China and the present large scale military operations against the Reds no doubt has some effect in lessening the probability of any Sino-Russian rapprochement and increasing the probability of some Soviet understanding with Manchukuo.

c. <u>The Chinese Eastern Railway</u>.

One of the consequences of the seizure of Manchuria and the resultant Japanese military operations has been confusion in the operation of the C.E.R. The western branch is in continuous turmoil while the eastern through line to Vladivostok is in chaos, causing tremendous losses to the road and under the present conditions contributing but little to the earnings of the South Manchuria Railway.

The Russian management profited by the confusion to withdraw from the C.E.R. to the Ussuri Railway a large amount of rolling stock under the claim that it belongs to the Soviet Government, the Chinese interest being regarded under the Treaty of 1924 as covering only half the profits and none of the property. To Manchukuo protests the Soviets replied that the stock, and especially locomotives, was not the property of the C.E.R., was not on its inventory and was merely stranded at Vladivostok and on the C.E.R. lines during the Siberian intervention. As property of the Russian Government the Soviets were free to use and dispose of the materiel at will.

The nature of this emphatic and significant reply is no doubt due to the farsighted desire on the part of the Soviets to be in an excellent bargaining position when the inevitable negotiations come up for operation of the railway under new agreements with Manchukuo.

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COMMENTS ON CURRENT EVENTS

October 13 - November 9,1932

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1. National Government
   a) General
   b) Relations with Soviet Russia
2. Situation in South China
3. The Assemblage in Peiping
4. Communism
5. The Shantung Imbroglio
6. The Szechwan Dispute
7. Manchuria - The Present Outlook
8. The Anti-Civil War League

1. THE NATIONAL GOVERNMENT

a. General.

The response of the government to the Lytton Report, impending changes in the government, the easing of the tension in Shantung and the continuance of hostilities in Szechwan, have been the subjects of special interest south of the Wall. In Manchuria, Japanese preparations and plans proceed uninterrupted in establishing the authority of Manchukuo, in perfecting the organization of that state and in constructing the necessary accommodations, buildings, barracks, air fields, roads, etc., to accommodate the personnel and to facilitate operations. On October 31st General Muto, accompanied by his diplomatic and military staff, established his headquarters at Changchun where extensive construction operations are proceeding to prepare the necessary government buildings and housing accommodations for the Manchukuo Government as well as for the Ambassador's numerous staff.

Since the publication of the Lytton Report there have been many expressions of opinion on its merits and demerits and on the policy China should adopt in regard to it. Some of the objections advanced are that if the recommendations are followed Manchuria would become a protectorate and thus cease to belong to China, that China would be deprived of her only effective weapon, the boycott, and that some of the recommendations involve an infringement on China's sovereignty.

Nanking government officials, particularly the Foreign Relations Committee, have been holding numerous conferences regarding the Report and expressions of opinion have been solicited from important political and other groups. The decisions have not been explicitly revealed but we are reliably informed that instructions have already been cabled to China's representatives at Geneva to accept in principle the recommendations of the Report as a basis of negotiations in order that China might not be deprived of League support, but that the government reserves the right to reject proposals involving the loss of China's sovereignty.

Regarding impending changes in the government, the usual propaganda and rumors are to be found. Statements that there is to be a radical turnover of northern Chinese who in return for Japanese support are prepared to set up an independent northern government at Peiping are believed to be wholly unwarranted. No important changes should be expected until the convocation of the Third Plenary Session of the Central Executive and Supervisory Committees of the Kuomintang, which is to be held about the middle of December either at Nanking or Loyang. At that session there will no doubt be some reorganization in order that the Canton group may secure more representation in the government. With the absence of Mr. Wang Ching-wei that important faction of the Kuomintang is without important representation and there will be a serious effort made in their behalf to bring Sun Fo, C. C. Wu, Wang Ching-wei, Eugene Chen and other important southern leaders back into the councils of the government.

b. Relations with Soviet Russia.

Except for reports that Soviet Russia's recognition of Manchukuo is not likely to take place in the near future due to the Soviet's desire to avoid any step which may impede the restoration of Sino-Russian relations, the subject of resumption of official relations between the two countries has lately received but little attention.

China's past experiences with Russian alliances both during the Monarchy and the Republican regime have been fraught with calamitous consequences. A Sino-Russian alliance effected after the disastrous Sino-Japanese War of 1894 resulted in the loss of Dalny, Port Arthur, the Chinese Eastern Railway, and of forestry and mineral rights along the railway line. The admission of communist members into the Kuomintang in 1924 was the cause of the split in the party, of fratricidal strife and the disruption of diplomatic relations with the Soviets. Since those days, in spite of rigorous suppression the influence of communism has taken deep root and for a time seriously threatened the very existence of the national government. The above experiences as well as the Sovietization of Outer Mongolia are responsible for the deep suspicion with which the Soviets are viewed by the Chinese official class.

Of course the resumption of formal diplomatic relations has its adherents who claim that diplomatic relations with a government do not necessarily imply approval of that government's policies; who expect from Russia the attitude of non-interference with Chinese internal affairs; and who believe that Russia might live up to the terms of a treaty which pledges the Soviets not to engage in propaganda directed against the political and social systems of China.

In this connection the statement made by the departing Soviet consul-general at Mukden, M. Znamensky, at one of the farewell banquets in his honor is of interest. He stated that the U.S.S.R. is not interested in "Manchukuo", and that the attention of the Soviets is focussed on the Chinese communists and the extension of their successes.

Soviet policy in the Far East is directed primarily at attaining two objectives; first and most important the prevention of a war with Japan and second, the protection of Russian interests in the Far East. In the attainment of the former it is obvious that concessions affecting Soviet interests in Manchuria will be grudgingly and guardedly made to the Japanese military, and that direct assistance to anti-Manchukuo forces will be and already has been officially prevented. Judging from statements made by Soviet officials in Manchuria there is no immediate prospect of Soviet recognition of Manchukuo.

2. THE SITUATION IN SOUTH CHINA.

Annoying but hardly serious rifts continue to mar the surface harmony existing between Canton and Nanking. According to latest reports the Canton authorities continue with their preparations for the establishment of a Southwest Branch Supreme Court and the thirty per cent. increase in telegraph rates in Kwangtung, Kwangsi, Yunnan and Kweichow, despite the protests from Nanking. The constant urge for the early convocation of the Third Plenary Session of the Central Executive Committee, under threat of an independent convocation at Canton, is another thorn which is causing Nanking much annoyance.

Not to be outdone by the prevailing fashion for economic development plans, General Chen Chi-t'ang gravely submitted to the Southwestern Political Council a grandiose "Three Year Plan" for political reorganization and economic reconstruction in the province of Kwangtung.

The political measures include the establishment of a system of civil service based on examinations and fitness rather than family connections, the institution of popular elections for positions of town mayors and district magistrates, as well as public criticism of incompetent officials.

The financial reforms include stabilization of currency based on redemption of bank-notes, revision of the tax system with a view to abolishing exorbitant taxes, the initiation of steps aimed at suppression of opium traffic and the development of industries with government subsidies.

The plan does not neglect rural and urban reconstruction measures and provides for local self government, land surveys, census, cultivation of waste land, afforestation, compulsory education and the development of natural resources. The scheme of development of communications provides for extension of road and inland waterway systems, establishment of air routes and construction of two railways, - one connecting Kongmoon, southwest of Canton, with Yamchow in the extreme southwest of the province, and one connecting Canton with Swatow.

This bombastically comprehensive plan will probably go the way of other lesser plans and is interesting not as a serious program of expected achievement but as an indication of the realization of China's urgent needs. Incidentally it is

noteworthy that simple and effective reforms which are China's present day greatest need, such as judicial reform, disbandment of useless parasitic armies and elimination of official corruption, all of which as compared to most items in the program are of vastly greater importance, find no place in the "Three Year Plan".

3. THE ASSEMBLAGE IN PEIPING.

The prayer meetings for national peace held at Peiping the last fortnight by His Serene Holiness the Panchan Lama have given rise to many rumors and speculations due to the attendance not only of many thousands of devout Buddhists but of many prominent military men of the present and past regimes. Among the visitors were such formerly nationally known figures as Marshal Tuan Chi-jui, several times a premier in the former Peking government, Marshal Sun Chuan-fang, formerly a powerful militarist and Inspector General of the five provinces of Kiangsu, Chekiang, Anhui, Fukien and Kiangsi, Mr. Chu Cheng, acting president of the Judicial Yuan, Marshal Wu Pei-fu, Mr. C. C. Wu, and a number of lesser lights.

This assemblage naturally gave rise to an extraordinary crop of rumors of coups d'etat, impending changes of government, etc., which to date have proved entirely without foundation and which are not likely to materialize into anything tangible. The interests of these personages are too divergent and most of them feel too bitter an enmity towards each other to be able to engage in any sort of cooperative undertaking.

4. COMMUNISM.

Although the progress in eradication of militant communism has been steady if slow, the many months of active operations indicate that there is no finality to the campaign. The military operations have been successful only in removing the pressure from threatened spots and temporarily clearing districts from armed Red forces. The National Government fully realizes that economic rehabilitation and purging of corrupt officialdom are the necessary complement to success of the present campaign, and that without these measures the anti-communist campaign will become a permanent feature.

A serious campaign is being waged against corrupt officialdom and in Hupeh twenty officials of the Provincial Government have been arrested. Of these one has been executed and several sentenced to terms of imprisonment.

Economic rehabilitation of territory formerly occupied by Reds is attempted by a series of committees which control and distribute grain supplies and generally assist in restoring to its former character territory which in the majority of cases has been denuded by the communists who have removed landmarks and boundary stones. It is doubtful however if the restoration of land to former status will accomplish any permanent cure, and it is believed that a successful anti-communist campaign can only be waged if semi-communist methods are used to fight communism.

The national leaders and thinkers are fully cognizant of the situation and the problem of equitable land distribution is receiving more and more attention.

Dr. Hu Shih, a foremost Chinese scholar, educationalist, author and philosopher emphasized the importance of the problem of land distribution and declared that unless the National Government would recognize the present redistribution, the peasants would be convinced that the government was the ally of the land owners and chaos would result in the villages. He pointed out that although the communists professed public ownership of land they really put into effect peasant proprietorship, an objective of the Kuomintang, consequently he advocated that the government should not only recognize land redistribution as effected by the communists but should take the initiative in adopting the communist policy of land redistribution in regions where it had not previously been carried out. "The essential point is that the government recognize existing conditions, for to do so is to take the heart from communistic idealism and to stop civil war in favor of a great reform". He lauded Chiang Kai-shek's conception of his task, because of Chiang's appreciation of the economic and administrative factors involved.

5. <u>THE SHANTUNG IMBROGLIO</u>.

It seems as though the end of the discreditable Shantung conflict is in sight and another disheartening outbreak of regional militarism is being settled. It is not known whether it is the tendered <u>pro forma</u> resignation of Han Fu-chu, or Liu Chien-nien's realization of the hopelessness of his position that had the desired effect, but the National Government bestirred itself into activity and a settlement of the dispute is in sight. In general the accepted terms of settlement include the withdrawal of Han's troops to the west of the Wei River upon which Liu's forces will be transferred to another garrison area, most likely south Honan or Hupeh, to engage in anti-communist operations.

The exact details of the solution seem to matter but little; the important thing is that Han must withdraw first to allow Liu's forces to be evacuated, thereby obeying the government mandate; Liu being bottled up and faced with extinction is only too happy to obey the National Government; while Nanking successfully solved the difficult problem of "saving face" for all concerned.

The seeds of this Shantung dispute were sown during the last civil war between Yen Hsi-shan, Feng Yu-hsiang and Chiang Kai-shek, which resulted for a time in the virtual elimination of General Yen Hsi-shan, then Governor of Shansi, from the political horizon. At that time Yen advanced into Shantung and Han Fu-chu withdrew before him in what turned out to be no more than a strategic retreat. Liu Chien-nien, the ruler of the area with Chefoo as its center, saw in Han's retreat an opportunity to extend his sphere of influence and sided with Yen's forces. Yen however was defeated and General Liu was left in the unenviable position of having "backed the wrong horse", with a powerful and resentful neighbor, Han Fu-chu, on his borders. In the opinion of those in touch with the

situation in Shantung, Han would not have precipitated the present conflict at this time of national crisis except under gravest provocation. Han Fu-chu is certainly fully aware of the dangerous possibilities of civil war at this time and has repeatedly declared publicly and to foreigners in Tsinan that there would be no fighting in his province in so far as he could help it. In view of these professions it is quite likely that General Liu may have again fallen victim to his own opportunism. Until the situation is cleared up officially and the motives behind these military operations are exposed, the above is probably as acceptable an explanation as any.

6. THE CIVIL WAR IN SZECHWAN.

Bismarck's remark "Serbia is not a nation, it is a profession", is equally applicable to that hotbed of civil wars, Szechwan, a province chiefly known for its isolation, large size, rich resources, poor communications, and constant warfare between rival warlords. This, said to be the 478th civil war in Szechwan since the establishment of the Republic in 1911, is the almost incredible record of civil wars fought within a short period of twenty-one years.

Rather an interesting and unusual for China aspect of the present struggle between General Liu Wen-hui, the Chairman of the Szechwan Provincial Government, and General Liu Hsiang, an independent warlord holding the Chungking district in southeast Szechwan, is the fact that the two opponents are blood relations——Liu Wen-hui is Liu Hsiang's uncle.

The reasons of this new war, in which both sides are already reported to have suffered heavy casualties, are unknown, but doubtless the true cause lies in personal interest and self-aggrandizement. Both men are ambitious for power and for the control of the province. Liu Wen-hui, the governor of the province, has long been dissatisfied with control of only seventy districts against his nephew's thirty, especially since the latter districts are closer to the mouth of the Yangtze, and the control and manipulation of the shipments of opium eastward has yielded Liu Hsiang at Chungking enormous revenues, a large part of which was spent by the younger Liu in increasing the strength of his personal army and securing modern war equipment. The immediate cause of the clash is said to be the seizure of some three million dollars worth of munitions purchased and consigned to Liu Wen-hui.

Due to its remoteness and poor transportation and communication facilities, the National Government has practically no control or even influence over this distant and almost inaccessible province. The maintenance of power between the numerous military leaders ambitious to control the province has necessarily resulted in small scale armament races which have practically beggared the population by excessive taxation. It is said that in many districts the land tax has been collected twenty or twenty-five years in advance.

Very little attention has been paid in the past by the Central Government to chaotic conditions in Szechwan; the generals were left free to fight each other, the crown of victory in the form of chairmanship of the province being awarded to the strongest, a practice which tended to encourage disorder. At present, with the Japanese menace without and the Red within, the government has bestirred itself and appealed to the rival leaders to settle their differences by pacific means, and has imposed an embargo on the dispatch of munitions to the province. This embargo is rendered easily effective for the Yangtze River is the only practical highway to this mountainous and sparsely inhabited province.

The war will probably end in the elimination of Liu Wen-hui by Liu Hsiang and his allied independent generals, including Yang Sen, Teng Hsi-hou, Lo Tze-chou, Liu Tsun-hou, Tien Sung-yao and others who have been promised parts of his uncle's garrison area as a reward for their support.

That Nanking will attempt to extend its authority over the province by offers of support to the seemingly strongest individual or group seems certain, but that disorders of this kind will continue intermittently to disturb the peace and security of the area may be considered as inevitable in view of the political ineptitude and lack of experience of the provincial leaders and of the difficulties of communication with an area so isolated from China proper.

7. <u>MANCHURIA - The Present Outlook</u>.

The Japanese hope that organized opposition to their control of Manchuria will be practically eliminated in one or two years and that the unorganized opposition, banditry, etc., will cease as the country under Manchukuo is developed, a ready market with good prices offered the farmers, and employment of the people assured. Japanese officials state that in their opinion it may take ten years properly and adequately to establish the authority of Manchukuo.

Chinese policy on the contrary obviously is to make Japan's control of Manchuria so difficult and costly that in the end Japanese support of Manchukuo will be relaxed and Chinese sovereignty over the country restored. With this in view the present leaders intend to continue indefinitely the boycott of Japanese goods and the support of volunteer activities in Manchuria. The latter is having its effect and the Japanese troops supported by such Manchukuo forces as have been organized or can be safely used are having considerable difficulty in maintaining their control of even the limited area along and adjacent to the railways.

Aggressive operations by considerable bodies of mutinous subjects of Manchukuo are keeping large Japanese forces in the field and proving a heavy drain on Japanese finances. In the cities the bulk of the townsmen still look upon Manchukuo as a mere name for Japanese military rule to which they are opposed but to which they passively submit until the opportunity arises for revolt. As a result trade is at a standstill, agriculture has been seriously affected, communications are disrupted, stores of food and fuel were washed away

in unprecedented floods, and many tens of thousands face the winter with no prospect of shelter or food. This is the outlook to-day as a result of the Japanese intervention, and it leads one to believe that re-establishment of normal conditions and the creation of a self-supporting Manchukuo will prove a long and arduous task.

8. THE ANTI-CIVIL WAR LEAGUE.

What with the fighting in Shantung and Szechwan, the Anti-Civil War League has had plenty of opportunities for action. Futile telegrams have been sent to the various war-lords and ineffectual representations were made in Shantung by delegates sent to the scene of operations. However, the League is only two months old, its membership is still being recruited, and new branches are being organized. Should it be successful in getting wide and complete national support, it will undoubtedly have ample opportunities in the future to justify its existence.

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DEC 21 1932
WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

November 10 - 23, 1932

RECEIVED G/2 W. D. DEC 21 1932

1. National Government
2. Situation in South China
3. The Shantung Imbroglio
4. Continued War in Szechwan
5. The China Merchants' Steam Navigation Company Scandal

1. The National Government.

Since the last report there has been no change in the attitude of the National Government toward the Lytton Report. Thinking Chinese realize that the Report should be accepted as a basis for further negotiations. Such well known intellectuals as Dr. Hu Shih and Dr. V. K. Ting advocate the principle that China will commit national suicide if she attempts to discredit the League and the Lytton Report instead of making full use of the international situation to secure the diplomatic isolation of Japan.

Persistent rumors of changes in the National Government continue to be heard and were given such prominence in the press that a protest was made to the Japanese Government by the Chinese Foreign Office regarding activities of the Rengo News Agency (Japanese)"in creating and spreading rumors seriously detrimental to China's political tranquillity". It will be remembered that not long ago the Rengo News Agency was deprived of its postal and telegraph privileges under similar circumstances.

There is no question but that the Japanese would welcome and be willing to assist any movement which would cause North China to break with Nanking. Such civil strife at the time when the eyes of the world are focused on Geneva and the Lytton Report would immeasurably weaken China's case before the League. The Chinese realize this and being past masters in bargaining are endeavoring to present as good a front as possible.

The recent "parade of politicians" has caused much comment. Dr. C. C. Wu, former Minister to the United States and one of the stormy petrels of Chinese politics, has been visiting the North with the avowed purpose of seeing the famous tombs, mountains, etc. Actually, he was invited to come to Peiping for a conference by Marshal Chang Hsueh-liang. Immediately afterwards Chang flew to Hankow and Hangchow for a conference with General Chiang Kai-shek, General Ho Ying-chin, the Minister of Military Affairs, and Mr. T. V. Soong, the Minister of Finance and acting President of the Executive Yuan.

The conversations are believed to have concerned the funds necessary for maintaining the Young Marshal's military establishment in the North, but certainly a desire to obtain enlightenment on the government's policy and to give his

colleagues first hand information regarding events in North China was present and the agenda for the coming plenary session of the Kuomintang might reasonably have been discussed.

Marshal Chang Hsueh-liang has shown a steady willingness to maintain close cooperation which was first made possible when he decided to intervene in favor of the Nanking Government in 1929. It is not believed that any movement for an independent North China is seriously being considered.

One of the justifications advanced by Japan for her actions in Manchuria is the lack of unity in China and the prevailing disorder, anti-foreignism and violation of treaties resulting therefrom. While there has no doubt been some justification for such allegations, the recent attempts of the Japanese controlled publicity agencies, notably Rengo and the J.I.B. (Japanese Intelligence Bureau) overstepped all reasonable bounds and the protest by the Chinese Government, mentioned above, is a logical result of the efforts of these agencies which in fact tend to create the very disorders that the Japanese use as a justification for their present policy.

All these recent conferences and "sightseeing trips" are believed to be preliminaries to the forthcoming Third Plenary Session of the Central Executive Committee, as noted in the last report, and it is the opinion of this office that more political unity exists at the present time among the Chinese leaders than has been evidenced for many years.

2. Situation in South China.

Despite the publicity given the anti-communist activities of the 19th Route Army (of Shanghai fame) the Kiangsi Red forces under Chu Te and Mao Tse-tung have occupied practically the entire border of Fukien. In addition to this, the political and military situation in that province has been complicated by the former so-called provincial troops, who have objected to the taking over of Fukien by General Chiang Kwang-nai (Director of Fukien Pacification Bureau) and General Ts'ai T'ing-kai, both of the 19th Route Army.

Fang Sheng-t'ao, Acting Chairman of the Provincial Government and an adherent of Chiang Kai-shek, has been passively resisting the extension of the influence of the 19th Route Army in Fukien.

The Southwest is to be represented at the Third Kuomintang Congress in December by Ch'u Fang-pu, Kwangtung Commissioner of Finance, Lin Yi-chung, Commissioner of Civil Affairs, and Tsou Lu, Chancellor of Sun Yat-sen University, all of whom are regarded as personal spokesmen for Ch'en Chi-t'ang.

3. The Shantung Imbroglio.

The settlement of the Shantung trouble is proceeding very slowly. The original plan of the Government was to transfer the troops of Liu Chen-nien to Honan or Hupeh to engage in anti-communistic operations. Then, before the movement could start, reports were circulated that Liu's troops would go to

Ningpo, as Chiang Kai-shek wanted more troops loyal to him in Chekiang Province. The commercial organizations of Ningpo have vigorously protested at the prospective swarm of Shantung locusts about to descend in their midst and the National Government is faced with the problem of finding a place for Liu's men where the opposition to them will be least harmful to its interests.

Meanwhile eleven transports are waiting at Chefoo, but only troops located near that city are being embarked. It is estimated that three trips by the available water transportation will be required to complete the troop movement. Concentrations of troops are being made at other towns west of Chefoo with the avowed purpose of awaiting return of the transports.

The announcement of the final destination of the transports will be awaited with much interest. Liu is holding the whip-hand over Chefoo and the National Government. All are anxious to get him started but no one will welcome his landing, wherever it may be. It only remains to be seen how much he will demand from both parties before he leaves for newer pastures.

4. Continued War in Szechwan.

Measures for a settlement of the Szechwan situation were suggested by General Liu Wen-hui, Chairman of the Szechwan Provincial Government, in telegrams to the National Government and General Chiang Kai-shek, President of the Military Affairs Commission, at the beginning of the week.

Charging General Liu Hsiang with having provoked hostilities, General Liu Wen-hui claims that he himself has already voluntarily given up more than ten cities in order to avoid bloodshed and fratricidal strife. While he states that he is ready to adhere to his policy of conciliation, the aggressions of General Liu Hsiang have so incensed his subordinate commanders that he can no longer be responsible for their action.

General Liu Wen-hui pointed out that a lasting solution for the Szechwan problem could only be reached by restoration to the Central Government of complete control over both the civil and military administration of the province.

This telegraphic gesture on Liu Wen-hui's part was hoped to secure the immediate support of Chiang Kai-shek but failed, and latest reports indicate that General Liu Hsiang has captured Luchow, a town at the junction of the Yangtze and Taokiang rivers. Now that a winner is emerging, the Central Government is preparing to support him and plans to send General Chang Ch'un, a close representative of Chiang Kai-shek, to Szechwan. It will be noted that Chang Ch'un does not intend to leave until after the conference of the Central Executive Committee, thus allowing for a possible decisive passage at arms between the two Lius of Szechwan and assuring that Nanking's face will be saved in supporting the right Liu.

5. <u>The China Merchants' Steam Navigation Company Scandal</u>.

The CMSNC, one of the oldest commercial organizations in China, is again in the limelight. For some years the company has been losing money and its properties are heavily mortgaged to the National City Bank (American) and the Hongkong & Shanghai Bank (British). In recent years there have been many disagreements between the private shareholders and the National Government, finally culminating in orders issued by the Minister of Communications, Dr. Chu Chia-hua, for the detention of Li Kuo-chieh (known as Marquis Li and grandson of Li Hung-chang, the famous Chinese statesman) by the Bureau of Public Safety.

Marquis Li, as head of the shareholders, arranged for the transfer of control of some of the CMSNC's wharves to the China Realty Company, an American firm. At the same time the Ministry of Communications issued instructions that any such agreement to mortgage the wharves and godowns (storehouses) would be considered invalid as it was signed without the sanction of the Ministry.

New officers for the company have been appointed by the Government and they will conduct an investigation to determine whether the control of the company will pass into government hands or whether the agreement with the China Realty Company will be carried out. Meanwhile all former officers of the CMSNC have resigned and Marquis Li is detained.

SVC

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JAN 5 2055-622 1933

WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

November 24—December 8, 1932

1. National Government
2. Situation in North China
3. Situation in South China
4. The Shantung Imbroglio
5. "Manchoukuo" Floats a Loan
6. France and "Manchoukuo"

RECEIVED G/2 W. D. JAN 4 1933

1. The National Government.

On November 30th the National Government issued a mandate announcing the return of the capital to Nanking on December 1st. It will be remembered that the capital was temporarily moved to Loyang (Honanfu) during the recent Sino-Japanese trouble at Shanghai, in order to free the government of any threat of military pressure by the Japanese. Actually the transfer was a farce as the Foreign Minister and most of the important officials remained at Nanking. It is true however that Lin Sen, the Chairman of the National Government, spent most of his time at Loyang and this was sufficient to save the face of the government in case the Japanese should have landed forces in Nanking as was feared.

The return to Nanking is actuated by various motives, many of which are purely historical and sentimental. Nanking or "Southern Capital" as it is called in Chinese, was the seat of the Ming Dynasty and the capital chosen by the leaders of the first revolution. Dr. Sun Yat-sen was sworn in as President of China on New Year's Day, 1912, in Nanking and now is buried there, his tomb a place of pilgrimage for "young China". There is also the desire on the part of the Chinese who are sensitive to foreign opinion, to present the best possible picture of China to the world when China is playing so prominent a role at Geneva - and the world as a whole looks askance at the stability of a nation which changes its seat of government too often. Then, too, Nanking is more convenient from the point of view of communications. In view of the fact that the next Plenary Session of the Kuomintang is scheduled for December 15th it was important that some place easily accessible and having accommodations for the delegates should be used. The Nanking Government would have lost prestige had the Plenary Session been held at Loyang.

It is believed that a real attempt to get the Canton faction into governmental harness will be made at this session. A number of influential Chinese have expressed themselves to the effect that with the showing made by the Chinese delegates at Geneva, it was a golden opportunity for politicians at home to forget their differences and form a government which would present a solid front towards Japan and justify anticipated support from the League.

From M/A, China Report No. 8458 December 8, 1932

2. Situation in North China.

Rumors of a change in the National Government and the setting up of an independent "North China", mentioned in last report, have become noticeably less since the protest by the Chinese Government on the activities of the Rengo (Japanese) News Agency. A very reliable Chinese official stated to the Military Attache that the Japanese had actually paid two million dollars to representatives of Marshal Chang Hsueh-liang with the intent that it be used to form a "buffer state" between Nanking and "Manchoukuo" and thus weaken China's stand at Geneva. The money was apparently accepted and the "Young Marshal" immediately went south by airplane and reported the deal to General Chiang Kai-shek.

Government officials in Peiping are much concerned over the defeat of General Su Ping-wen. While officially they disclaim any connection with volunteer activities there has been every indication that they are assisting them in every way possible. A day before the news was in the papers, a staff officer of Chang Hsueh-liang told the Military Attache that they had received a message from General Su Ping-wen announcing his defeat and arrival in Siberia, so the close liaison which was believed to exist was proven without doubt.

3. Situation in South China.

At the cabinet meeting on November 29th under the chairmanship of Mr. T. V. Soong, the Finance Minister and Acting Chairman of the Executive Yuan, the reorganization of the Fukien provincial government was decided upon. As a result, General Chiang Kwang-nai was appointed provincial chairman and Li Ta-chang, Fan Chi-wu, Cheng Cheng-wen, Lin Chi-yuan, Li Ching-chuan and Chen Wen-lan were appointed members of the provincial government. General Tsai Ting-kai was appointed Chief Officer for the Pacification of Fukien Province.

The appointment of General Chiang Kwang-nai as Chairman of the Fukien provincial government and General Tsai Ting-kai as head of the Peace Preservation Forces makes Fukien practically under control of the 19th Route Army. Fang Sheng-t'ao, a strong adherent of Chiang Kai-shek, has been officially eliminated but events alone will show how gracefully he will pass out of the picture.

4. The Shantung Imbroglio.

Evacuation of General Liu Chen-nien's troops continues. As the confusion abates, following the embarkation of Liu's horde, so the political condition of the area is slowly evolving some measure of order from its former chaotic condition.

The provincial representatives of General Han Fu-chu have returned to Chefoo, Tengchow, Huanghsien and Lungkow, and this has done much toward restoring the confidence of the population of that section of Shantung. The rumors that Liu's forces would be sent to Chekiang as an extra pawn for Chiang Kai-shek (see G-2 Report No. 8443) have proven correct, though the exact location of the troops in the province has not been determined.

4. "Manchoukuo" Floats a Loan.

The "Manchoukuo" Government issued the following statement on November 7, 1932 (First Year of Tatung):

> "The Manchoukuo Government has reached the decision to float a loan amounting to thirty million gold yen (¥30,000,000) chiefly for the purpose of improving its organs for the maintenance of peace and order, of constructing some roads, and of rehabilitating areas devastated by the flood in North Manchuria. In view of the fact that the amount to be floated is comparatively small and also because of its urgent need, this Government has decided to raise the said sum in the Japanese market. Necessary negotiations were accordingly opened in Tokyo on the seventh of November for a contract to cover the same.
>
> "It is the intention of the Manchoukuo Government to raise, whenever necessary, loan funds in the future not only in the Japanese market but also in those of other countries of the world provided they can be obtained on favorable terms. Furthermore, this Government will gladly welcome the subscriptions on the part of capitalists of American and European nations to the present loan if an amicable arrangement can be reached between them and the Japanese banking syndicate."

The loan agreement was signed in Tokyo on November 10th with both Takashashi, the Minister of Finance, and Uchida, the Minister of Foreign Affairs, present. As far as is known, the entire loan will be floated by Japanese banking interests. According to the press, the "Manchoukuo" Government will keep the proceeds of the loan on deposit with the syndicate banks in Japan and the Central Bank of "Manchoukuo" will issue silver notes with this deposit as security.

The avowed purpose of the loan is to be the maintenance of peace and order, road construction and rehabilitation of flood areas. Our consular officials in Mukden state that they know of no road construction being done in Manchuria outside of the city of Hsinking (Changchun) and that they believe most of the funds needed for flood relief have been disbursed. It would seem, therefore, that the funds from the loan will be largely used for "maintenance of peace and order" - in other words, for use against volunteers and "bandits". The funds of this loan may thus be spent for the purchase of munitions and other supplies for the army. It is needless to add that the goods will be purchased from Japan. Once the supplies are purchased they could be used by the Japanese forces in "Manchoukuo" and thus, on paper, cut down the budget expenses for the military operations of the Japanese Army in Manchuria.

6. France and "Manchoukuo".

Considerable comment has been caused by notices in the Chinese press quoting M. Wilden, the French Minister to China, in a recent statement in Shanghai as saying that the French Government will not recognize "Manchoukuo" pending a solution of the Manchurian problem by the League of Nations.

The general feeling in China is that the French Government has been rather friendly to Japanese aspirations in Manchuria because of French interests in Indo-China, as Japan has been supposedly the "bulwark of anti-communism" in the Far East. Formerly the French commercial interests in Manchuria were much greater than at present and Chinese opinion believes France now willing to see Japan establish a precedent by assisting an autonomous and demilitarized Manchuria, so that France may attempt the same measures in Yunnan. They therefore believe that the statement of M. Wilden heralds a possible rift in Franco-Japanese accord in Asia.

For and in the absence of the Military Attache:

S. V. Constant.

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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

December 9—22, 1932

RECEIVED G/2 W. D. JAN 17 1933

1. The National Government
   a. The Third Plenary Session
2. Situation in North China
   a. The Shanhaikwan Incident
   b. Another Red Scare
3. South China Affairs
4. Tang Yu-lin's Predicament in Jehol
5. China and Soviet Russia

1. THE NATIONAL GOVERNMENT

a. The Third Plenary Session

The Third Plenary Session of the Kuomintang was opened at Nanking on December 15th as scheduled. The session resolved into six sub-committees as follows, - political, economic, educational, foreign affairs, military and party affairs. These sub-committees are looking into various resolutions which have been submitted and after discussion will present their findings and recommendations to the Plenary Session.

Late in the afternoon of December 19th, during a private conversation, the Military Attache asked Mr. T. V. Soong if the newspaper report that a resolution advocating government direction of the anti-Japanese boycott had been passed was correct. Mr. Soong replied that such a resolution, if passed, would certainly result in Japan declaring war, that China was not at present prepared for war, and that as the result of such a war Japan might demand extensive territories now a part of China. Mr. Soong as Minister of Finance is obviously interested in balancing the budget and in maintaining intact the delicate machinery of government since he is at present mainly responsible for its maintenance and direction. His reply gave the definite impression that such a resolution had been proposed and debated, that he personally had opposed the resolution, and that the resolution had failed to pass.

During the evening of December 19th, while in a private conversation with Dr. C. C. Wu, the Military Attache questioned Dr. Wu concerning the authenticity of the same report. Dr. Wu, usually extremely uncommunicative, replied that he had sponsored such a resolution, but he evaded a direct answer as to whether such a resolution had been passed.

The Military Attache's conclusions are that a resolution authorizing government direction to the boycott, government support to the volunteer activities, and the employment of government troops in the province of Jehol, was in fact admitted in debate at the Plenary Session and voted upon on December 19th, that during the debate Mr. T. V. Soong opposed the resolution and that Dr. C. C. Wu, Mr. Sun Fo and numerous of their supporters advocated its passage.

From M/A, China Report No.8463 December 22, 1932

The Military Attache is of the opinion that the resolution as originally proposed failed to pass, but that there will be, or might already have been, efforts made to modify the original resolution so as to make it less likely to cause a declaration of war by Japan, and that some resolution, so modified, either has been or is likely to be passed, with instructions that its passage be kept secret.

There is no doubt that there is strong and active support among the members of the present session for the passage of some resolution making more drastic China's direct opposition to Japan's policy in Manchuria and that fear of war with Japan and its inevitable consequences alone prevents the passage of such a resolution forthwith.

2. SITUATION IN NORTH CHINA

a. The Shanhaikwan Incident

During the last few days feeling has been rather tense, particularly in Tientsin, due to the fear that the much rumored Japanese drive on the Jehol-Peiping-Tientsin area had really materialized. The cause of this was the fact that on the night of December 8-9, a Japanese armored train advanced inside the Wall in the direction of Shanhaikwan and fired a number of shots, injuring, among other things, one of the main water tanks on the railway line.

It was at first thought that the Japanese were trying to make a feint at Shanhaikwan to attract Chinese troops there and thus remove them from the front of a main Japanese effort into Jehol, or that the Japanese were endeavoring to create an incident which would enable them to move directly into the Peiping-Tientsin sector. However, as events have shown, it was only one of those flare-ups which must be expected when troops of two nations, which to all intents and purposes are at war, are in virtual contact.

b. Another Red Scare.

Acting on orders from the Nanking Government, the Peiping police on December 13th arrested Hsu Teh-heng, a professor in the Law Department of the National University, and Hou Wai-lu, professor of Social Science in the Law College of the Peiping National University. According to the best obtainable information these men are charged with communist agitation for the purpose of causing strikes and other disturbances in Peiping just as the Third Plenary Session was opening in Nanking.

It is rumored that Hsu and Hou will be sent to Nanking for trial in order to get them away from influential friends in Peiping. Since the removal of the government to Nanking their has been a great decrease in the number of so called communists arrested which leads one to the belief that many of these arrests may have been prompted by the "ins" to immobilize temporarily a troublesome "out". At the present time it is not believed that much is to be feared from communist propaganda in the government colleges in Peiping.

3. SOUTH CHINA AFFAIRS

Chekiang Province is disturbed over the arrival of the troops of Liu Chen-nien, the "Shantung locusts" as the Chinese call them. It will be remembered that Liu's forces are moving by water transport from Shantung to the south to be an additional trump in the hand of Chiang Kai-shek just as the Third Plenary Session of the Kuomintang meets in Nanking.

Canton is pleased with the prospect of Sun Fo, C. C. Wu, and other prominent Cantonese being included in the reorganization of the Nanking Government now under way. The Cantonese are probably the most clannish of all the Chinese and they support their native sons even to the exclusion of important national issues.

4. TANG YU-LIN'S PREDICAMENT IN JEHOL

Conditions have been fairly quiet in Jehol during the last two weeks. Governor Tang Yu-lin is in a very difficult position which accounts for his attitude toward events in his area. He owns a lot of valuable property in Mukden and Fengtien (province), which fact the Japanese are using to bring pressure on Tang to be friendly with "Manchoukuo". Tang's family, however, is in Peiping and Chang Hsueh-liang is using this fact to hold Tang loyal to him.

5. CHINA AND SOVIET RUSSIA

China and Russia have resumed diplomatic relations. The breach between these nations dates back to February 28, 1927, when the Soviet steamer "Pamiat Lenina", alleged to be carrying propaganda material and arms, was seized by Chinese authorities on the Yangtze River. On April 6th of the same year, Chinese police and soldiers armed with a warrant countersigned by the Dean of the Diplomatic Body, raided the compound to the west of the Soviet Embassy in the Peking Legation Quarter. The compound contained, among other buildings, the offices of the Dalbank, the Chinese Eastern Railway, and most conveniently, the office of the Soviet Military Attache. In this raid, Li Ta-chao, famous Chinese communist, and thirty-five Chinese and Russian communists were arrested. Li was executed. Among the documents found was a mass of propaganda material regarding communist policy in China, funds, and plans for military-political work and the bolshevizing of China.

The Soviet Government protested to China and recalled their Peking diplomatic representatives on April 22, 1927. The formal severance of relations came two years later when in 1929 Marshal Chang Hsueh-liang's troops raided the Russian Consulate in Harbin, where Red propaganda material was found.

The announcement by the Chinese Foreign Office on December 12th to the effect that diplomatic relations had been resumed with Soviet Russia as from December 11th was received in China with surprisingly little comment. This was no doubt due to the fact that such a move has been anticipated for some time - particularly since the Japanese action in Manchuria. While recognition and rapprochement do not mean alliance, the Soviets hope for it and certain of the Chinese feel that such is inevitable, not because the Chinese desire it but because the actions of the Japanese will force it. The conditions surrounding the resumption of Sino-Russian relations have not been announced.

Russia has been assuming a passive attitude towards Japan only as a matter of expediency. Time and peace favor Stalin, as war with Japan would be disastrous to the Five-Year Plan and to his regime. It is obvious, however, that war would

not necessarily be a mistake for Russia in the long run, and may yet be resorted to in order to save the present Russian government from being overthrown from within——a real possibility in event of the failure of the "Plan". Russia has not been blind to events in the Far East and it must be remembered that the Russian mind understands that of the Oriental far better than do the diplomats of the Western nations. The Russians have watched the Japanese in Manchuria and at Shanghai and have passively seen the pride of Imperial Russia——the Chinese Eastern Railway——suffer at the hands of the Japanese, only because the Five-Year Plan had not proved successful enough to withstand a war, nor had it been failure enough to risk throwing the country into war in order to preserve the Bolshevik government. As previously mentioned, time has been a factor and so again time continues a friend to Russia, as the increased antagonism of the Chinese to Japanese aggression serves to push China all the sooner into the arms of Russia - and on Russia's terms. All of this is good strategy since the more involved Japan becomes in China the greater the expenditure of blood and treasure and the more difficult it will be for her to fight a war, should that be Russia's wish at the critical time.

Some four hundred years ago the Russian Bear coveted the warm Pacific in which to bathe its paws. The fur coat of the bear has changed in color but its eyes are still inevitably fixed on the same goal.

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FEB 1933
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COMMENTS ON CURRENT EVENTS

December 23, 1932 - January 5, 1933

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1. National Government
   a. The Third Plenary Session
2. Situation in North China
   a. Another Shanhaikwan Incident
3. Situation in Manchuria
   a. Chinese Eastern Railway Employees
   b. Japanese Colonization
4. Sino-Russian Relations

1. NATIONAL GOVERNMENT

a. The Third Plenary Session

The Third Plenary Session of the Kuomintang has become history and instead of producing a crisis has made a real step forward for China. While some of the measures considered and passed were important, the most noteworthy accomplishment was the creation of an atmosphere of cooperation. There was not only a willingness to work together but a seeming eagerness toward agreement on issues of national importance. To anyone who has watched the development of government in China since the overthrow of the Manchu Dynasty, this fact is of vastly more importance than any law or regulation promulgated by any of the various Chinese governments to date.

As was predicted there was a real effort to bring Canton in line with the National Government, and the addition of Sun Fo and Yu Yu-jen to the Standing Committee of the C.P.C. will assist this.

A hopeful note in the financial condition of the National Government was sounded by T. V. Soong, the Minister of Finance, who reported to the Central Executive Committee that the National Government had been able to balance its budget without resorting to foreign loans or the issue of bonds. This was achieved in spite of the non-remittance of revenue from Manchuria, expenditure for flood relief and the anti-communist operations. The balancing was especially noteworthy, Mr. Soong said, in view of the large expenses connected with repulsing the Japanese at Shanghai, the drop in silver exchange and the general world depression which had affected China as well as other nations.

Mr. Soong gives the credit for this balanced budget to the fact that the military expenditures were kept strictly limited to essentials, and predicts an improved financial condition for the government based on the experiences of this year.

Possibly the most important resolutions discussed at this session were those bearing on the Japanese "occupation" of Manchuria and the measures that seemed necessary and advisable for the National Government to adopt to protect its interests as a result of the situation there.

In view of late developments it seems certain that some resolution was passed authorizing the Government to use military force in resisting a Japanese advance into Jehol or south of the Wall. There was a well grounded sentiment among the delegates that a war with Japan is not advisable, - that China is not prepared for such a war and that Japan in the end would emerge with possibly more territory than otherwise as the result. There was nevertheless a decided opinion that something had to be done, hence the agreement that Chinese troops should resist any further Japanese advance.

The necessary plans for such resistance will of necessity be drawn up and executed by the Military Council of which Chiang Kai-shek is Chairman. It is well known that the "Generalissimo" is well aware of Japan's military strength and of Japan's determination to annex Jehol to "Manchoukuo". General Chiang has in fact sent word to the Young Marshal that he must resist and the latter has as a result moved one brigade into Jehol and states that additional brigades will be sent if and when the Japanese advance into that province. The defense of Jehol as an isolated action might not be so difficult but the real problem, from the Chinese point of view, lies in the defense of the Tientsin-Peiping area. The Chinese are of the opinion that should their troops be moved into Jehol to stop the movement of Japanese troops into that area directly from Manchuria that the Japanese would land additional troops at Tangku and, using their bases and troops already at Tientsin and Peiping, take over the control of this area. A later occupation of Jehol would then be a simple matter.

Whatever the motives and fears of the Chinese, their plan so far has been to place the responsibility for the defense of North China in the hands of the Young Marshal. The Government itself has as yet apparently assumed no direct responsibility in the matter. The Young Marshal receives protests, warnings and threats direct from the Japanese military who in each case hold him personally responsible. The measures taken so far by the Young Marshal are woefully inadequate and there is little doubt that one or two divisions of Japanese troops supported by aircraft can penetrate into Jehol and drive before them the volunteers, Tang Yu-lin's personal troops, the one brigade of Chang Hsueh-liang's troops and other riff-raff, none of whose efforts are really effective or can be coordinated. This seems to be well known to the Manchurian leaders who have apparently made up their minds that Jehol is lost, unless something can be accomplished by diplomatic effort at Geneva, and that the most that they can do is to defend against any further penetration south of the Wall.

No doubt in the full realization of the above the Third Plenary Session passed some "resolution" authorizing resistance, but such resistance as is likely to be made, from the present outlook, will be futile and ineffective in retaining Chinese control of Jehol.

Dr. Lo Wen-kan, the Foreign Minister, addressed the Third Plenary Session of the Kuomintang with a scathing accusation of Japan under seven charges:

1. Violation of the Fundamental Principles of the law of human justice.
2. Violation of the essence of international law.
3. Violation of the League Covenant.
4. Violation of the Pact of Paris.
5. Violation of the Nine Power Treaty.
6. Violation of the League resolutions.
7. Violation of Japan's own pledges before the League of Nations.

His talk included a complete review of Sino-Japanese relations and the many incidents since "Japan's premeditated attack" at Mukden on September 18, 1931. He emphasized the fact that any settlement satisfactory to the Chinese could not accept the puppet regime of "Manchoukuo" but must respect Chinese sovereignty and be in accordance with the letter and spirit of the Covenant of the League, the Nine Power Treaty and the Pact of Paris.

The Plenary Session adjourned on December 22nd, with the resolution to convene a People's Assembly in 1933. Only a part of the new popular body is to be elected by the people, while the government appoints the rest. This is ultra-conservative, it is true, but yet a beginning in the establishment of representative government.

2. SITUATION IN NORTH CHINA

a. Another Shanhaikwan Incident

Shanhaikwan has been the scene of the latest serious incidemt in North China. Firing commenced on Sunday evening, January 1st, between troops of the 19th Brigade (Ho Chu-kuo) and the Japanese guard at Shanhaikwan. The Japanese lost one officer and several men. The Japanese thereupon attacked the south gate of the walled city with some 24 guns, assisted by the fire from two destroyers. After considerable fighting the Japanese occupied the walled city at 4:00 p.m. on January 3rd. So far no Japanese troops have advanced down the railway to Chinwangtao, and both sides are reorganizing their forces. At the present writing (January 5th) neither side has shown particular evidence of advance or retirement and it is not believed that either side wishes to push matters.

There are various accounts of how the incident started but the facts are believed to be as follows:

That the Japanese sent a schoolmate of General Ho Chu-kuo (who is a Japanese returned student) to command Japanese troops at Shanhaikwan and that they negotiated an agreement whereby a certain area in which many Japanese reside between the walled city and the Shanhaikwan railway station should be policed by a sort of gendarmerie and police, and evacuated by Ho's troops.

That General Chang Hsueh-liang is supposed to have given his approval to this and then withdrawn his consent either on instructions from Nanking to assume a stiffer front to the Japanese, or for some other reason.

That General Ho Chu-kuo resigned and pending a satisfactory settlement of the affair, the Japanese decided to take over the policing of the area in question with their own gendarmes.

That on the night of January 1st some disorder arose - the Japanese say a bomb was thrown, the Chinese say it was New Year's firecrackers - and the Japanese gendarmes called for aid from the Japanese garrison which guards Shanhaikwan railway station (the 61 miles of the Peiping-Liaoning (Peking-Mukden) railway from Shanhaikwan to Lanchow is guarded by the Japanese under the Protocol of 1900).

That the Japanese troops, supposed to be looking for the "bomb throwers", advanced on the south gate of the walled city and refused to halt when called upon to do so by the Chinese forces guarding the gate, whereupon the Chinese fired with the result that a Japanese officer and several soldiers were killed.

That following this a combined attack was made by the Japanese on the walled city as previously mentioned, which was occupied by Japanese at 4:00 p.m. on January 3rd, and that now the outposts of the two forces are facing each other along the Ta Shih Ho (river) about two miles west of Shanhaikwan.

While it is believed that the Chinese Government has decided to adopt a firmer attitude toward Japanese aggression and has so instructed Chang Hsueh-liang, who is himself willing to cooperate in this, it is not known to what extent the government is willing to go in support of Chang should he become seriously embroiled with the Japanese. All are ready to resist and under cover support the activities of "volunteers" against the Japanese, yet the fear of open hostilities and the inevitable results slows the decision for definite aggressive action on the part of the Chinese.

The Japanese are anxious to stop aid being sent to the "volunteers" through Shanhaikwan. They also wish to prevent the Chinese from sending reinforcements into the Jehol area. By this latest move and the occupation of Shanhaikwan they have accomplished this and in addition have secured the important railway facilities of Shanhaikwan. They have hoped to keep the incident localized and have presented demands to Chang Hsueh-liang calling for his accepting the responsibility for the latest incident and requiring him to desist from sending troops into the Jehol area.

It is not believed that the Japanese wish to commence operations on a large scale in Jehol at the present time, but they are anxious to prevent aid from reaching the Manchurian "volunteers" and also to prevent the movement of troops into Jehol and the building up of a Chinese force there which will be in a position to oppose them when they do wish actually to occupy the Jehol area.

Chang Hsueh-liang has refused to treat the incident as a local one and has passed the Japanese demands on to the Nanking Government and asked for instructions from there. Some reinforcements have been sent toward the Shanhaikwan area and the railways have been called on for train concentrations, but actual movements of Chinese troops under any possible plan to meet a Japanese advance are not apparent. Each side says their actions will depend entirely on the actions of the other and neither will accept responsibility for the results therefrom! The situation is fraught with grave possibilities and while it is not believed that Japan wishes to engage in extensive military operations inside the Great Wall, or even in Jehol at this time, only the events of the next few weeks can foretell the ultimate outcome.

3. SITUATION IN MANCHURIA

a. Chinese Eastern Railway Employees

The dispute between the Chinese Eastern Railway and its former employees regarding unpaid wages and pensions remains unsettled. Daily demonstrations are held in front of the buildings occupied by the board of directors of the railway with a view to intimidating the Soviet officials. As most of the demonstrators are Soviet citizens these occurrences are affecting Soviet prestige. The railway administration has promised partial payments to these former employees during the months of December and January but the incident is by no means closed and is adding to disturbed conditions in Harbin.

b. Japanese Colonization

Definite attempts are being made by the Japanese to establish their ex-service personnel in Manchuria. These men are all reservists and would be especially valuable to the army for scouting and intelligence work in case of active operations.

Our consular representative in Mukden reports that on October 10th about 500 former Japanese soldiers passed through there en route to Chiamussu, a town in northern Kirin on the Sungari. The party was in charge of a retired officer, Lieut. Colonel Ichikawa, assisted by a staff of ten officers, and was travelling for the announced purpose of establishing a farming community. Members of this party wore Japanese uniforms and carried rifles and packs while in Mukden.

4. SINO-RUSSIAN RELATIONS

Following the announcement of the resumption of diplomatic relations between China and Russia, there have been varied expressions of opinion on the part of the various Chinese leaders. T. V. Soong, the Finance Minister, views the situation from the commercial angle and believes that "there is much natural sympathy between the two broad streams of humanity representing the peoples of China and Russia which transcends the vagaries of international politics". The Minister of Foreign Affairs, Dr. Lo Wen-kan, and many other prominent members of the Nanking Government have issued statements emphasizing the "ushering in of a new era of mutual

understanding" to the "benefit of the people of the Chinese Republic and of the Soviet Union and to the cause of world peace".

So far the emphasis has been laid on commercial advantages and the interests of world peace, nothing being mentioned of any alliance against Japan, a possibility which has received much publicity from Japanese news agencies. Unofficial rumors have come from Nanking that a non-aggression pact between China and Russia is not only being considered but has actually been drafted by Dr. W. W. Yen and M. Litvinoff and will be signed upon arrival of the ambassadors of the two nations at their respective capitals.

On December 27th Dr. Yen was appointed Chinese Ambassador to Moscow by the Executive Yuan, his selection having been previously announced as acceptable to the Soviet Government.

The appointment of Dr. Yen to important governmental office and his acceptance thereof has proved a pleasant surprise to his many Chinese and foreign friends. A man of superior attainments and education, both foreign and Chinese, he represents the best that China has to offer. Of recent years he has preferred to remain in the background and the fact that he is now willing to accept such a difficult post as Ambassador to Moscow indicates that he is convinced of the good efforts and intentions of the Nanking Government. Dr. Yen is a graduate of an American university and has always been most friendly to us.

On December 30th the Nanking Government announced that it had approved the appointment of M. Bogmoloff, at present Counnsellor of the Soviet Embassy in London, to be Soviet Ambassador to China.

Aside from causing considerable worry to the Japanese, who view any friendship between China and Russia with alarm, it is believed that the only immediate result of the resumption of Sino-Soviet relations will be the increase in trade between the two nations. Even during the last few months Russian imports into China have increased to such a point that in so far as Sino-Russian trade is concerned Russia has a favorable balance for the first time in the past three years.

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COMMENTS ON CURRENT EVENTS

January 6 - 20, 1933

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1. The National Government and the Present Crisis
2. Conditions along the Chinese Eastern Railway
3. Student Activities in Peiping
4. Japanese Anti-American Propaganda
5. China League for Civil Rights
6. Anti-Japanese Boycott
7. China, Japan and Mongolia

1. The National Government and the Present Crisis.

Authentic information definitely discloses that several brigades of Chinese troops were moved into Jehol Province and that the orders for the movement of considerably larger forces of Chang Hsueh-liang were issued before the so called "resistance resolution" was adopted at the last meeting of the Plenary Session at Nanking. It seems certain now that some defense of Jehol had been planned and the execution of the plan started before the Shanhaikwan incident of January 1st and 2nd described in the last comments on current events.

The latest Shanhaikwan incident, like the Shanghai incident of last January and February but to a lesser degree, has strengthened the popular Chinese belief that China by her own means should resist further Japanese advance, and demands are pouring into Nanking and to the Young Marshal's headquarters that suitable defensive measures be immediately put into effect. This feeling has no doubt had some effect in strengthening the determination of the Nanking Government and particularly of the Young Marshal that physical resistance is necessary and advisable and that the time for non-resistance is passed. This feeling is no doubt also strengthened by the receipt of a strongly worded cablegram from Geneva sent by Messrs. Yen, Koo and Quo, China's delegates there, to the effect that there was no longer hope of conciliation and strongly urging the government to undertake immediate military plans for the protection of Jehol and North China.

Whatever the cause of the recent military activities, there seems no doubt that well over 200,000 Chinese troops (mostly Chang Hsueh-liang's) are now either in position, are moving into the prospective theatre of operations, or are awaiting railway transportation for such a movement. The troops have been paid, ammunition secured, and food and other supplies are being purchased and moved into the areas where troops are concentrating.

It is feared by many that the concentration of such a force adjacent to the Japanese controlled Chinchow-Shanhaikwan salient will afford another pretext for Japanese operations on a large scale, and many Chinese profess to an expectation that Japan will strike at Tientsin and Peiping. The Military Attache has been personally informed by the Young Marshal that in any

plan he may adopt for the defense of Jehol Province he is always influenced by the possibility of Japanese action to secure the Tientsin-Peiping line, and that troops to defend against such an operation must always be held readily available. This thought dominates every plan considered by his headquarters. In the present crisis General Yu Hsueh-chung, a capable and energetic officer, Chairman of Hopei, is entrusted with the responsibility for such protection.

General Shang Chen, former Chairman of Shansi, is shortly to assume command of the so called Lwanchow front and either General Chang Tso-hsiang or General Wan Fu-lin is to command in Jehol Province. In that province, where the Japanese main blow is expected, in addition to Militia and Volunteers, the following troops are located: About 50,000 ex-Kirin or ex-Heilungkiang troops in the Kailu (N.E.Jehol) area, 30,000 of Tang Yu-lin's, and 25,000 regular troops of the Young Marshal's in the south-central and eastern areas, a total of about 100,000. If and when a major military operation begins, the Young Marshal is expected to take general command and move his headquarters out of Peiping.

In the Manchurian Daily News of recent date the following significant paragraph is published:

> "There is no room left for doubt about the entry of Chang Hsueh-liang's troops into Jehol which cannot be overlooked by Manchoukuo, being invasion of her territory... ... The question is pregnant with a grave signal and is very likely to affect North China in general. Its effect on the international situation would be really serious."

It is statements of this sort, of which the one quoted is only one of many, that lead the Chinese into the belief that Japan will strike south of the Wall. That such a belief is prevalent locally is evidenced by the train loads of Chinese, men, women and children, and household goods daily leaving Peiping for safer localities. Several Generals of the local command have sent their families away explaining that they may be called away at any time on important military matters and feel that they are less encumbered with their families absent.

It is not the intent of this report to predict Japanese action south of the Wall. It is difficult to believe that such an operation is actually intended. There is ample evidence however that Japanese troops may in the near future move to "pacify" Jehol. The Chinese seem at present prepared and determined to resist such "pacification" and operations there are not improbable.

In the meantime, China's main effort, her diplomatic attempts at Geneva, might conceivably be assisted by the concentration of two or more hundred thousand troops in proximity to the areas under dispute. Such a concentration might well be a factor in inducing the Japanese to agree to negotiate under League supervision and might delay the expected Japanese blow at Jehol. These are no doubt Chinese hopes. How vain such may be, time alone can disclose. The recent trend of negotiations at Geneva may justify such a belief.

2. Conditions Along the Chinese Eastern Railway.

The recent expedition under General Hirose to clear the eastern part of the Chinese Eastern was not undertaken until an understanding had been reached between Mr. Morishima, the Japanese Consul General at Harbin, and Mr. Slavoutsky, his Soviet colleague. They agreed that the Japanese Army was free to move as far as the Soviet border near Pogranichnaiya without objection from the Soviets, for the purpose of bandit suppression.

Insurgent leaders, many no doubt disheartened by the failure of Su Ping-wen, evidenced a willingness to negotiate with the Japanese. Actually the Japanese were not pleased with the indecisive result of the campaign, since the majority of opposition only melted away and still remains a menace until defeated.

The result of the campaign will be the inevitable strengthening of the Japanese position in eastern Manchuria as against that of the Soviet Government in case of war. In addition to this, the routine guarding of the C.E.R. will facilitate the actual seizure of this line in the name of "Manchoukuo", - an event which is not improbable.

From Harbin to the west, the C.E.R. sector remains quiet and the entire railway is open for traffic.

3. Student Activities in Peiping.

Students in Peiping have been giving vent to their patriotic feelings during the last few weeks. Following the latest Sino-Japanese incident at Shanhaikwan, meetings were held and speeches were made in the various higher schools and colleges. Finally the day before mid-year examinations the students of Peiping University and National University decided that they could help the cause by refusing to take their examinations and engaging in propaganda, etc., against Japan. They were followed in this move by the students at Yenching University at Hai Tien, just outside of Peiping. Many of the students have left the city, but few of these are engaging in activities which might assist China in the present emergency. The ones remaining in Peiping, however, are doing better in this respect. The National University students have decided to make gas masks and the Yenching undergraduates are raising a fund to purchase 2,500 steel helmets, supposed to come from the United States.

The reaction on the part of the Chinese to this is interesting as it is quite Occidental in nature. Public opinion approves of the patriotism evidenced by the students but fails to see why they should wait until the day before examinations to give it evidence. Tuan Hsi-peng, the Vice-Minister of Education, has issued a statement criticizing the students for their refusal to take the examinations and the hurried departure from Peiping of many of their number. He states that there is "no excuse for the students to flee before the Japanese".

4. Japanese Anti-American Propaganda.

The Japanese Information Bureau in Tientsin has been very active recently in publishing reports reference American assistance to China. Under date of December 15th and 16th the following items were given out:

"According to a certain leading American merchant in Shanghai, it is said that the United States, from the Shanghai point of view, deemed it necessary to establish three aerodromes at certain places down the Yangtze, and Haichow was selected as one of them, but as Japan discovered this plan the United States was obliged to change it.

"The new places to be selected are believed to be at some point near Hangchow which is the center of the Chinese Aviation Corps.

"It is now reported that the loan to be used for the purpose of purchasing this war material from the United States amounts to $15,000,000, and the Chinese Government in the shape of a mortgage to guarantee this loan has agreed to allow the United States to establish a landing field for American airplanes at either Haichow or somewhere else on the eastern coast. The contract is reported to have been already signed between Chiang Kai-shek and the United States authorities."

In this connection the following are quoted:

"United Press Despatch. Tokyo, Jan. 16. A spokesman for the Japanese War Office indicated today that Japan is irritated as a result of the increasing sale by the United States of American airplanes to China. Half jestingly the spokesman referred to reports that 45 American pilots are now serving as non-commissioned officers in the Chinese Air Forces. 'It is significant', the spokesman remarked, 'that the Chinese airplanes are now flying in formation'."

"Manchurian Daily News (Japanese). Shanghai, Jan. 11. It has been learned that 13 quick-firing guns of up-to-date pattern got here from America on the 9th. Besides, a number of military planes were also imported from abroad. Aviation instructors engaged by the Nanking Government from the United States reach a considerable number. The above might show in which way the wind is blowing."

"Japanese Information Bureau. Shanghai, Jan. 16. According to a Shanghai dispatch, the general public at Shanghai is paying greater attention to the imports from the United States of large quantities of arms and ammunition, including many aeroplanes, as well as American aviators. They are not sure if these arms and ammunition will really be used for the anti-Japanese campaign or for Chang Kai-shek in order to strengthen his military power in the future, but at any rate, the close connection between the Chinese authorities and the Americans concerned is now an open secret.

"According to another report, the Nanking Government has decided to restore Chang Hsueh-liang to his former official position, and on January 8th, Chang was appointed officially by Nanking as Acting Chairman of the Military Council at Peiping, but the Nanking Government is trying to keep the appointment a great secret owing to the present situation in North China, and also in fear that anti-Chang Hsueh-liang elements might create new disturbances."

There is no doubt that such propaganda is deliberately intended to arouse feeling against the United States and to create feeling that Japan is opposed on all sides with imminent danger, the only salvation being the use of a strong military policy.

5. China League for Civil Rights.

A Bill of Rights for the Chinese people is the announced object of a group of prominent Chinese, among whom are numbered the following:

Mrs. Sun Yat-sen (Soong Ching-lin), widow of the famous Kuomintang leader.
Dr. Tsai Yuan-pei, one of the "Elder Statesmen" of the Kuomintang.
Dr. Lin Yu-tang, well known educationalist and writer.

They have formed an organization committee for the "China League of Civil Rights" and have issued notices outlining the aims and purposes of the League. These are

"1. To fight for the liberation of political prisoners in China and to fight the system of imprisonment, torture and executions now prevailing. This League shall concern itself first of all and above all with the masses of unknown and nameless and friendless prisoners.

"2. To give legal counsel and other assistance to political prisoners, to arouse public opinion by investigation of prison conditions and the publication of the facts in regard to the denial of civil rights in China.

"3. To assist in the struggle for civil rights, i.e., rights of organization, free speech, press and assembly."

On January 17th the Shanghai office of this soceity was formally inaugurated under the name of the "People's Civil Rights Protection League". While an unofficial organization, many of its leading spirits have considerable political influence and further moves by this organization may be of more than passing interest.

6. Anti-Japanese Boycott in South China.

Outbreaks of boycott against Japanese goods have been reported from South China.

In Yunnanfu, capital of Yunnan, there has been an extension of boycott activities in compelling immediate disposal of all stocks of Japanese goods remaining in shops. According to the Yunnan vernacular press a "Group for the Extermination of Traitors and the Salvation of China" has been organized within the province and during December our Consular representatives report that over a thousand stores representing over four hundred kinds of business had entered into a boycott agreement against Japanese goods.

In Swatow the Anti-Japanese Boycott Society continues its activity and its efforts are very effective in stopping Japanese trade. Unfortunately some of the pickets have been over-zealous and have caused considerable annoyance to other nationals, whose cargo they have seized occasionally, apparently by mistake.

7. China, Japan and Mongolia.

Officials of the National Government have been considerably concerned over the situation in Outer Mongolia and have been studying means to combat Russian influence there, which has been paramount since the winter of 1920 when Urga was occupied by a Soviet force.

Mr. Shih Ching-yang, chairman of the Mongolian and Tibetan Affairs Committee, is supervising the drafting of measures designed to effect a rapprochement between Outer Mongolia and the Chinese Government. This move has been given impetus by various Mongol princes who were present in Nanking during the recent Plenary Session of the Kuomintang and also by Nanking resident Mongols who have submitted a petition to the Central Political Council.

The petition contains political, military and educational sections. Under the first heading the petition requests the government to place in the hands of the Mongolians and Tibetans the administration of Mongolian and Tibetan affairs and to issue a public mandate ensuring the exercise of political functions by the Mongolian tribes.

Regarding military affairs, the petition asks the government to authorize the Mongolian tribes to organize their own militia to maintain local peace and order, and also help to organize Mongolian volunteers to resist external aggression.

Under educational reforms, the petition demands an appropriation of $500,000 for Mongolian and Tibetan education for the current year and asks the government to complete as soon as possibly various projected technical colleges for the benefit of Mongolian and Tibetan students.

Japan is also much concerned about Mongolia but from a strategic point of view. Having secured the vital terrain feature of northwestern Manchuria, the Khingan Mountains, the Japanese are worried about the protection of their southern flank and its threat to their lines of communication. To protect this of course necessitates the occupation of Jehol,

certainly the Khingan range through the eastern arm of Mongolia, and possibly sections of Chahar. Road building in Mongolia, encouraged and guided by the Soviets, has caused Japan no little thought, and should Japan and "Manchoukuo" take over Jehol, no doubt an effort will be made later to organize an expedition against Urga, where the Russian position is not dissimilar to that of Japan in "Manchoukuo".

W. S. Drysdale

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COMMENTS ON CURRENT EVENTS

January 21—February 3, 1933

RECEIVED G/2 W. D. MAR 1 1933

1. The Crisis in North China
2. Chinese New Year Holidays
3. Anniversary of the Shanghai "War"
4. Protection of Military Secrets
5. Anti-Japanese Boycott
6. Japan Organizes "Good-will Tours"
7. China League for Civil Rights

1. The Crisis in North China.

The outstanding event of the past two weeks has been the visit of Tuan Chi-jui to Nanking. Tuan is famous in China for having been "Provisional Chief Executive" of the Chinese Government in Peking during 1924-25. He is probably the best known living member of the Anfu clique which has always been willing to play politics with Japan.

Rumors have been flying thick and fast recently and a persistent one was to the effect that Tuan Chi-jui was to head a buffer state in North China which would be friendly to Japan. The Chinese believe that Tuan's visit to Nanking was made for the sole purpose of quieting these fears, and it is known that while in Shanghai he made a speech in which he said that there could be no solution of the Manchurian question until the sovereignty of China was returned over the lost territory comprising the "Three Eastern Provinces" (Fengtien, Kirin and Heilungchiang).

There is ample reason to justify the belief, however, that Tuan may have gone south for the purpose of presenting some plan proposed by the Japanese to ease Chang Hsueh-liang out of control in North China and replace him by someone more favorable to the Japanese, perhaps Tuan himself. This plan has been in the minds of the Japanese for some time since Chang has been playing the game with Nanking far too well to suit the Japanese authorities. Certain it is that when Tuan had started for Nanking, Marshal Chang Hsueh-liang went there also, and he traveled by airplane. He was taking no chances, but gave out that his mission was to ask for more assistance from Chiang Kai-shek. His press agents published the statement that the Japanese had presented a proposition for direct negotiations in settlement of the Shanhaikwan incident and that Tuan was the Japanese messenger.

Meanwhile the Japanese give every evidence of preparing to enter Jehol and to the average Occidental mind the psychological reactions of the Chinese are particularly difficult to understand at this time. The Japanese have taken parts of their country and are killing their people. Why do the Chinese stoically stand by? Why do they not attack Japanese property and Japanese people on the streets when a mob of Americans will demonstrate outside of the Japanese Consulate in Chicago merely out of sympathy for China?

The answer can only be found in the inexhaustible capacity for inactivity and the dislike for direct action bred in the race from time immemorial. This very likely accounts in no small measure for the inertia of China. Even now with the enemy at their gates there is an unwillingness on the part of the leaders to face issues squarely and assume responsibility. The National Government is prepared to support Chang with money and ammunition but whether or not it will send men, and whether or not Chang would want men, remains to be seen. However, the very fact that money and ammunition have been furnished Chang shows some breaking away from feudal ideas and we must recognize it and welcome it, for in such evidences of cooperation lie the salvation of China.

The Chinese mind is loth to change the even tenor of its way but it is encouraging to note that there is emerging a realization that resistance to Japan must be made. This feeling is permeating all classes of society and we cannot escape the fact that the Chinese people are prepared to fight. There is a willingness and a desire to resist Japanese aggression which received its birth during the "Shanghai War" of last year, - typified by the 19th Route Army. This desire to resist has been given impetus by the Japanese action in Manchuria and brought home to the people of this section by the Shanhaikwan incident. Coupled with this desire there is the knowledge of a sure reprisal by the Japanese, but the desire to resist and the willingness to accept the consequences is growing nevertheless.

The effectiveness of this resistance depends of course on the ability of the Chinese to coordinate their efforts. Some progress has been made and it now appears certain that the Chinese are concentrating in four main areas.

The first area is the Tangku-Tientsin region under command of Yu Hsueh-chung. This concentration protects the port of Tientsin, the railway to Shanhaikwan and the Peiping-Tientsin area with its lines of communication into Jehol.

The second is the Lwanchow area under Shang Chen. This force protects the right flank of Jehol and will oppose a direct drive down the railway from Shanhaikwan. It can also be used to reinforce Jehol if necessary.

The third area includes Jehol and is the most difficult of all. Previous reports have discussed the choice of a commander for this vital sector, and it now appears that the choice will fall on Chang Tso-hsiang, former Governor of Kirin Province, who will have general charge of all operations in Jehol. Indications are that Chang Tso-hsiang will assume actual charge of the troops in the Kailu sector most of which are his former Kirin soldiers. Chu Ching-lan has been chosen to command what appears to be the most important sub-group in Jehol, - that in the Lingyuan sector. Chu has been directing the operations of Volunteers from behind the scenes. He is known to be a man of no great military ability but of well known personal integrity. He is accompanied by a capable staff however, but they have already met with obstacles placed in their path by Tang Yu-lin,

the Jehol Governor, and Sung Che-yuan, an old subordinate of Feng Yu-hsiang and now Governor of Chahar. Chu will be further handicapped in his task of coordinating this heterogeneous mass of troops by the presence of two hostile Mongol tribes between Kailu and Chaoyang, who refuse to allow Chinese to enter their territory. At the present time the Jehol area contains all these elements, largely bound by personal loyalty to their commanders. On January 28th two regiments of the 22nd Division belonging to Han Fu-chu, Governor of Shantung, joined the 29th Army Corps under Sung Che-yuan. While these add another element to the mixture, it is interesting to note that these troops of doubtful loyalty to anyone have cast in their lot with those forces now carrying out the wishes of the Central Government. The Jehol command is a most important and difficult one. No one desires it as all are afraid of failure, so far personal interest being paramount. And so the choice apparently has fallen on Chang Tso-hsiang, a doubtful honor at best under the circumstances.

We can estimate the difficulties of coordinating the various and sundry units and commanders in Jehol and can easily predict that such coordination will be faulty, but the mere mass of troops and difficult terrain may well furnish the Japanese with food for thought, but it is the belief of this office that the coordinated action of the widely separated and diversely commanded units in Jehol will prove almost impossible for the Chinese either tactically or strategically.

In the last few days an exceptionally well informed American arrived from Manchuria and in giving an account of his recent talks with Japanese staff officers there stated that the Japanese do not anticipate any serious resistance to Jehol. The Japanese stated that they do not plan any operations south of the Great Wall at this time but intend to secure Jehol by capturing certain of the large cities. The above named source thinks this statement correct and does not expect operations south of the Wall. In anticipation of this it is believed that the Japanese will endeavor to stir up trouble between various factions in Jehol, making their own task easier when the time is ripe to strike.

In the meantime the National Government is alerted to the serious situation in the Jehol area and is trying to meet it, without definitely committing itself to war.

The fourth and last main concentration area is what may be called that of the General Reserve in and around Peiping. This area is of course under command of Marshal Chang Hsueh-liang, whose influence in the last analysis extends over Jehol and the other concentrations also. All indications still point to resistance to further Japanese aggression.

2. Chinese New Year Holidays.

The Chinese New Year holidays passed with no unusual incidents. Despite the fact that the law requires the use of the foreign calendar, much activity was observed in all walks of Chinese life. Practically all the stores closed for the usual five day period, those having foreign patronage posting signs to the effect that they were closed for "Spring Vacation". Of course, according to the Chinese the spring season starts after Chinese New Year.

The usual fire-crackers were missing this year as both police and military were afraid that their explosion might start a panic in view of the tense situation vis-a-vis Japan. The Japanese, by the way, are taking no pains to help this feeling of uncertainty. Every day their Legation Guard carries out some sort of maneuver on the "glacis" north of the Legation Quarter, and often even in the Chinese city.

Early one morning during the New Year holidays they were carrying out some sort of exercise in the Chinese city north and east of the Legation Quarter, running in and out of the hutungs with fixed bayonets. Fortunately nothing happened but such actions are loaded with dynamite when relations between the two nations are stretched to the breaking point. Only last week a Japanese soldier in full uniform ran back and forth in the crowded Morrison Street Bazaar knocking men, women and children right and left. His only apparent object was to have someone object to his behavior and the scene would be set for a "Peiping Incident".

The Japanese Army is under very strict discipline and it is difficult to see how the local commanders would dare provoke incidents which might well have serious international results unless they had information from superior commanders which would assure the necessary support for such incidents.

3. Anniversary of the Shanghai "War".

Much concern was evidenced in Shanghai over the 28th of January, the anniversary of the now historical "war that was not a war". It will be remembered that the first shot in this affair was fired at 11:50 p.m. on January 28, 1932, and hostilities lasted until March 3, 1932. After discussing the matter with Japanese military and naval commanders, the Japanese Consul General in Shanghai issued a warning to Japanese residents urging them to do their utmost to assist in having the first anniversary of the "war" pass quietly.

In Nanking all public bodies held a mass meeting in the National Theatre to commemorate the anniversary of the Shanghai war, and one minute's silence was observed in honor of the war dead. Among the resolutions adopted at the mass meeting were the following:

1) That a cable be sent to the League of Nations drawing attention to the latest Japanese aggressions in China and urging effective measures to check further aggressions.
2) That various cities throughout the country be urged voluntarily to raise funds to purchase fighting airplanes for air defense, and that each hsien should at least contribute one machine.
3) That a telegram encouraging the Volunteers in Manchuria and the soldiers and officers at present defending the Shanhaikwan front be sent.
4) That telegrams be sent to all government, provincial and military authorities urging the necessity to prepare for resistance and the recovery of all lost territories.

4. Protection of Military Secrets.

The increasing tenseness in the Sino-Japanese situation has brought to the attention of the Central Government the necessity of adopting means to prevent the giving out of information prejudicial to national defense, and for exercising stricter supervision over certain military and naval areas. This has culminated in the adoption of various regulations to prevent leakage of military information, and the details form a special G-2 Report (No. 8496).

5. Anti-Japanese Boycott.

The Anti-Japanese and National Salvation Association in Changsha, Hunan, have renewed their activities against Japanese goods. In December, many shipments of Japanese articles were taken from junks and the owners of these goods placed in custody and fined.

The students' Anti-Japanese Society in Changsha was particularly active during the month of December. Searching parties were systematically organized and, dividing the city into sections, carried out an intensive survey. A large amount of Japanese goods was located and subsequently confiscated.

Reports from Chungking, Szechwan, indicate that the situation there is handled in a different manner. Here the Japanese goods must be registered and are subject to a tax, after the payment of which the goods may be freely sold.

6. Japan Organizes "Good-will Tours".

During the last few months there have been large numbers of "Manchoukuo" officials, leaders and representatives who have been traveling to Japan. Among these was Hsieh Chieh-shih, Minister of Foreign Affairs, who went to thank the Japanese Government for its formal recognition of "Manchoukuo". On his return he announced that he considered his trip a great success. He also issued a statement urging the people to strive earnestly for the improvement of close relationship and friendship between "Manchoukuo" and Japan. A commercial mission headed by Liu Hao-kao and consisting of fifteen business and professional men went from Hsinking to Japan for an unofficial tour of the principal cities of that country. Another official, Feng Hsien-chung, "Manchoukuo" Minister of Justice, has been traveling in Japan to study the judicial system. It is interesting to note that he is also engaging Japanese judges for the courts of "Manchoukuo".

All of these missions, official and otherwise, are being encouraged in every possible way by the Japanese Government in general and by General Muto, the Japanese Ambassador, in particular.

7. China League for Civil Rights.

The movement started by the "China League for Civil Rights" in South China (see Comments for January 6-20, Report No. 8493) has spread to Peiping. On January 30th a meeting presided over by Dr. Hu Shih, the famous scholar, was held at the Western Returned Students' Club. The Shanghai branch of the League was represented by Yang Chien.

One of the interesting features of the meeting was the presence of Professor Hsu Teh-ying of the Peking National University, who gave a long speech telling of the circumstances of his arrest by the local police and his subsequent treatment in the detention house of the Bureau of Public Safety. It will be remembered that Hsu was arrested with Professors Ma Cheh-min and Hou Wai-lu last December, charged with communist agitation for the purpose of causing strikes and other disturbances in Peiping just on the eve of the Third Plenary Session in Nanking (see Comments for December 9-22, 1932, Report No. 8463).

Hsu was released but so far bail has been denied Ma and Hou. The first information was that they were to be sent to Nanking for trial but when the Central Kuomintang, which ordered their arrest, decided to leave the trial in the hands of the local authorities the accused professors were turned over to the local court. The latest statement given out in this case is that bail will be denied them pending completion of the preliminary investigation by the procurator of the first branch court of the Hopei (Chihli Province) Higher Court.

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COMMENTS ON CURRENT EVENTS

February 3—February 17, 1933

1. T.V.Soong's Visit and the Japanese Threat
2. Anti-British Feeling in Nanking
3. Prominent Communists Join Kuomintang
4. "Manchoukuo's" Foreign Advisers
5. Removal of Palace Treasures
6. Communist Propaganda in American Legation Guard
7. Student Activities in Peiping
8. China Merchants' Steam Navigation Company
9. Reunion of Chinese Provinces

1. T.V.Soong's Visit and the Japanese Threat.

The outstanding event of the last two weeks has been the visit to Peiping of Mr. T.V.Soong, acting President of the Executive Yuan and concurrently Minister of Finance. Mr. Soong came up from Nanking by airplane on February 11th, accompanied by Dr. Liu Jui-heng, the head of the Public Health Bureau at Nanking. On February 13th Mr. Soong gave out the following press interview:

"I came up here because of the Jehol question, every aspect of which I am discussing with Marshal Chang Hsueh-liang. Jehol is an integral part of China just as Kwangtung or Kiangsu. Any attack on Jehol is just like an attack on Nanking and will be met by the force of the entire nation. The Japanese have seized the North-Eastern part of China but any further advance will without question be resisted. Japan has not declared war on China but to all intents and purposes she is carrying on war against us. I think it is a legalistic principle of splitting hairs to say whether or not this undeclared war may or may not be considered as warfare.

"We take the threat to Jehol very seriously. We regard any attack on Jehol or elsewhere as a matter of the utmost gravity. My personal opinion is that I do not see the use of keeping our minister at Tokyo if there should be a drive on Jehol, because obviously no diplomatic measures would be of any avail.

"Marshal Chang Hsueh-liang is the servant of the Central Government and part of the Central Government. Whatever he does is at the orders of the Central Government. My presence is itself an indication that the Jehol question will be considered a national question and not a local one, as the Japanese wish it to be considered.

"General Chiang Kai-shek is at Nanchang arranging to clear the rear. Dr. Liu Jui-heng came up to Peiping to organise the army medical services in preparation for the Jehol campaign."

In private conversations with the Military Attache it is learned that Mr. Soong's chief purpose in visiting the North is to arrange for an adequate system of supply and

hospitalization for the Chinese forces in Jehol. Cash has been paid for 100 Ford trucks and arrangements for base hospitals and evacuation of wounded are under way.

The value of Mr. Soong's visit to the case of a united China against Japanese aggression cannot be over-estimated. China is facing a critical point in her history and must as never before present a united front in the Far East as well as before the world at Geneva. Provincial jealousies, historically the bete noire of concerted action, would now not only weaken the case of China before the League but might well furnish Japan with a buffer state in North China. To this end Japan has striven as has been reported previously, but so far China has become more closely knit than before and one cannot help but be impressed by the fact that unity in China has been greatly accelerated by recent events and that there is at present a nation-wide demand that Chinese troops resist to the bitter end any further Japanese advance. There is no doubt that a stubborn but probably an ineffective resistance will be made and steps for such are now under organization. That Japanese military operations in Jehol will be more difficult and costly than those of recent date in "Manchoukuo" is a foregone conclusion.

Realizing the age-old individualism of the Chinese race and looking at their super-materialistic viewpoint with even the most skeptical eyes, we must not be blind to facts as they really exist. And so it is in this light that we must look at the visit of T.V.Soong, who represents a great part of the brains and certainly the control of the purse strings of the National Government. Mr. Soong's visit has been most successful from a psychological point of view but his conferences with local bankers are reported not to have been so productive of results as he had expected.

However this may be, Mr. Soong's visit brings concretely to the minds of the people of North China that the far off Nanking regime is behind them and a realization that, despite their regional problems, there is now facing them a bigger issue. Typical of this is the spirit of the Chinese women who have entered into all sorts of activities such as rolling bandages, preparing to help the wounded, and selling their jewelry to help buy airplanes. When asked why they had not done so in the numerous civil wars in the past, the invariable answer was that the personal fights of the militarists were of no interest to them, but that now there was a chance to do something for their country.

While preparations for resistance to Japanese advance are taking place - far too slowly - in China, the Japanese war machine is preparing to strike. From Tokyo come assurances that the Japanese Government is convinced that the maintenance and recognition of the independence of "Manchoukuo" is the only guarantee of peace in the Far East. Japanese press agencies in China publish statements that more Chinese troops have "invaded" Jehol province and that the "Manchoukuo" Government is expected to issue an ultimatum in the near future to Chang Hsueh-liang and Tang Yu-lin, Governor of Jehol. These reports also state

that Jehol has always been considered an integral part of "Manchoukuo" and that Japan is bound by treaty to assist "Manchoukuo" in recovering territory that legitimately belongs to her.

Further Japanese reports allege attacks on Japanese troops by Chinese along the Jehol-"Manchoukuo" border, and so the background of the picture is being painted and only waits for the Rising Sun to come up over the Manchurian hills and cast its light further westward into China.

2. Anti-British Feeling in Nanking.

Anti-British feeling was marked in Nanking during the last few weeks as a result of reports from Geneva to the effect that the attitude of Great Britain to the League of Nations is pro-Japanese. Reports were circulated that Great Britain and France had agreed to Japan's having a free hand in Manchuria in exchange for Japan's withdrawal from Shanghai last year. Conditions were much eased following the British statements denying any secret understanding with Japan and making clear that they still adhered to the Lytton Report as a basis of policy in the Sino-Japanese dispute.

The rapidity with which all Chinese papers reacted to the report of Sir John Simon's pro-Japanese attitude is a close indication of the importance placed on Great Britain's influence at Geneva and in the Far East. Sir Miles Lampson, the British Minister, held a series of conferences with Dr. Lo Wen-kan, Chinese Foreign Minister, which have apparently completely dispelled all doubts of Great Britain's position. Sir Miles Lampson is much respected by the Chinese and it was most fortunate that his presence in Nanking during this situation was able to bring matters to a satisfactory conclusion.

Following these conferences, the Government issued a statement explaining the situation and warning against any move which might foment an anti-British boycott based on groundless rumors.

3. Prominent Communists Join Kuomintang.

On January 27th the Central Publicity Committee gave a press reception at which were present three prominent Chinese communists, Huang Ping, Yu Fei, and Hsu Shih-keng. Huang Ping has been a member of the Central Executive Committee of the Chinese Communist Party, delegate to the Anti-Imperialist Conference of 1928 in Berlin, and Commissar of Foreign Affairs during the Canton uprising of 1927. Yu Fei was Chairman of the Central Executive Committee, member of the Central Political Council of the Chinese Communist Party, resident representative of the Chinese Communist Party in Moscow, and delegate to the Anti-Imperialist Conference of 1929. Hsu Shih-keng was a member of the Central Executive Committee of the Chinese Communist Party, delegate to the Communist International in 1928, member of the Central Supervisory Committee of the World Communist Party and Chairman of the Shanghai Labour Communist Union.

These men gave a joint interview in which they dwelt in very frank language on the necessity of the Chinese people's presenting a united front against the Japanese aggression during the present national crisis. They declared that it was a very grave error if the Chinese communists labored for interfering with the Kuomintang programme of national reconstruction and resistance to external aggression.

This is one of the many encouraging incidents evidencing the growing unity of feeling between parties and sections of China as the result of recent Japanese actions.

4. "Manchoukuo's" Foreign Advisers.

Considerable interest is being evidenced concerning the activities of two foreigners recently appointed to official positions under the new regime in Manchuria. The one best known is Mr. George Bronson Rea, American newspaper man who has a reputation throughout the Far East for editing publications carrying heavy Japanese advertising support. His activities are indicative that he is being well paid for carrying out pro-Japanese propaganda. Recently the Chinese refused to allow his newspaper to be sent through the mails. Mr. Rea is now in Geneva representing the "Manchoukuo" Foreign Ministry and he is accompanied by General Ting Shih-yuan, who is the personal representative of Pu Yi (the "Little Emperor"). General Ting was a member of the old Anfu (pro-Japanese) political clique.

Another prominent foreigner is Mr. A.H.F.Edwardes, formerly Inspector-General of the Chinese Maritime Customs, who has been named "Adviser to the Manchoukuo Representative at Geneva". Mr. Edwardes, it will be remembered, was made officiating Inspector-General in 1927, following the reorganization of the Chinese Customs and the dismissal of Sir Francis Aglen. Mr. Edwardes resigned his post in 1929.

The Chinese are particularly bitter against Mr. Edwardes and they feel that as a former Chinese official he should not have accepted a position under "Manchoukuo". The National Government has issued a mandate depriving him of his right to wear the various Chinese decorations which had been presented to him while a member of the Customs service.

5. Removal of Palace Treasures.

On February 7th two trains carrying 2,118 cases of Palace treasures left Peiping and are now being closely guarded at Pukow, while a discussion is going on as to where the articles will be placed for safe keeping. The total number of cases prepared for shipment was 3,000 according to official sources. Of the original shipment of 1,064 cases, there were 602 cases of books and records of which 536 contained the famous Chinese Encyclopedia. The other boxes contained various curios, including bronzes and porcelains.

Opinions regarding this are divided and rumors abound. Many people feel that these treasures belong in the Palace Museum and fear that they will be "lost" when moved from Peiping. Others believe a deal has been made whereby Chang Hsueh-liang has consented to part with these treasures

upon being assured of the active support of the Nanking Government vis-a-vis Japan and the situation in North China. The Japanese, of course, are doing their best to spread this latter report.

In this connection the Japanese Information Bulletin dated February 7th is of interest and announces:

> "A Shanghai despatch states that the first consignment of China's national art treasures already arrived from Peking on February 3rd, and it was arranged to raise a loan amounting to $50,000,000 from a certain American bank."

This is typical of Japanese propaganda attempts to discredit actions of the National Government and also to give the United States credit for being involved in questionable financial dealings in China.

The final destination of these Palace treasures is unknown. Many prominent persons believe they should be placed at Loyang and Kaifeng in the interior where they will be safe from possible Japanese seizure. Chiang Kai-shek, however, has stated that he believes their proper place is in the Nanking Museum and so the majority of these articles are being held at Pukow, until the return of Mr. T.V.Soong, who has been visiting Marshal Chang Hsueh-liang in Peiping. Some 120 cases of books have been sent to Shanghai and are in charge of Dr. Tsai Yuan-pei, former Minister of Education of the Nanking Government.

6. Communist Propaganda in American Legation Guard.

Communist propaganda has been received through the mail by various organizations in the Marine Detachment of the American Legation. This material, which will be forwarded in a separate report, came in envelopes stamped from the National University in Peiping.

The local police are conducting an investigation of the matter. So far as is known, only the American Guard have been circularized. In view of the fact that the Marines have played basketball against the students of National University, it is believed that these posters come from students in that institution.

7. Student Activities in Peiping.

Investigations conducted with regard to the present conditions in the various government and private schools show that large numbers of the students who fled from the city following the Shanhaikwan affair have returned to their studies. At Yenching and Tsinghua Universities, the conditions prove to be the best. Classes in both institutions reopened on February 13th. According to the Registrar's offices of both universities, 800 students out of 900 in Tsinghua, and 500 students out of 750 in Yenching, have returned and are now taking their make-up examinations. In the National University of Peking, classes resumed on February 10th.

As noted in G-2 Report No. 8493, the students are increasingly engaging in activities to help the effort against Japan. One organization has completed presses for the manufacture of steel helmets on the pattern used by the U.S.Army. This matter will be covered by separate report when tests of these helmets, already arranged for, have been made.

Another student activity is the 1000 bed base hospitals being prepared in the old Chinese barracks next to the Peking Union Medical College which will have the P.U.M.C. expert medical advice. Thousands of bandages are being made by Peking women volunteers.

These routine preparations in time of war in any other land, are a novelty in China. In former wars the lot of the wounded was to be left to die of neglect. The present mass movement for collection of "comforts" for the troops and the attempt to provide hospital facilities shows the birth of a national consciousness that the soldier is becoming the defender against the enemy instead of a parasite on the social structure of China.

8. <u>China Merchants' Steam Navigation Company</u>.

The investigation of the activities of the CMSNC, mentioned in G-2 Report No. 8443, culminated in the indictment of Chen Fu-mu and Li Kuo-chieh (Marquis Li). They were formally charged before the Shanghai District Court for "causing unlawful damage to the said Company" and malfeasance of official duty.

Li was tried, convicted, and sentenced to three years' imprisonment and deprivation of civil rights for a period of four years. The case has been appealed and will be heard in the Kiangsu High Court at Soochow on February 15th. Chen fled when investigations commenced and cannot be located.

The CMSNC was privately owned, but operated by the Government. Such management has never proven satisfactory, either to the stockholders or to the Government. Reorganization of the Company took place recently under orders from the Ministry of Communications which provided for the purchase by the National Government of the privately owned shares of the Company, at Tls. 50 for a full set - i.e., two shares of the CMSNC and one share of the Chi Yu Real Estate Company, a subsidiary organ of the China Merchants. Some of the shareholders objected to this action on the part of the Government but so far as is known their objections were fruitless.

9. <u>Reunion of Chinese Provinces</u>.

February 12th was the twenty-first anniversary of the reunion of North and South China, but it attracted little public attention. When the Revolution broke out in October, 1911, it was supported by only the South, North China including the former province of Chihli - now Hopei - where Peiping is located, remaining loyal to the Ch'ing Dynasty ruled by the "Little Emperor", Pu Yi, who is now Provisional Executive in "Manchoukuo".

Finally the North joined the Republican ranks and the country united on February 12th, 1912. Since that time there have been numerous differences of opinion between the North and South, but the twenty-first anniversary of the reunion of the provinces finds them more solidly united by the present Sino-Japanese crisis than ever before in the history of the Republic.

For and in the absence of the Military Attache:

S.V. Constant.

S.V.Constant
Major, Cavalry
Assistant Military Attache

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COMMENTS ON CURRENT EVENTS

February 17—March 3, 1933

1. Japanese Invade Jehol Province
2. Japan and the Boxer Protocol

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1. Japanese Invade Jehol Province.

The defense of the province of Jehol against the advance of Japanese and "Manchoukuo" forces, an advance long threatened and actually begun on February 21, occupies the attention of the nation to the practical exclusion of all other interests. Every Chinese publication, official or private, every Chinese of whatever occupation or residence, is intensely interested in the progress of events in Jehol and is demanding of the government at Nanking, and of the Young Marshal in particular, that the province be adequately defended. There is practical unanimity of opinion that China must unite in an action against the occupation of Jehol by Japanese troops and that by China's efforts alone can the situation be effected. While Chinese in general, and official Chinese in particular, are greatly pleased and encouraged at the final action taken at Geneva, they realize that foreign powers have no intention to assist by a military force in maintaining Chinese sovereignty over Manchuria. The result is that more and more Chinese are beginning to realize they themselves must take the initiative (an action peculiarly foreign to Chinese psychology) in defending their own territories. The demands of the situation and of public opinion eventually resulted in action by the Nanking Government to organize and assist in the "defense" of the northeast.

In this connection it is of importance to keep in mind the age-old custom in China that the official at the point of danger is responsible for meeting and liquidating any situation that may develop. The Central Government has in generations past rarely extended anything but an indirect assistance. A mobilization of the country's resources to meet a common danger has never occurred in the history of China. Such a mobilization now is, of course, impossible and not to be expected. Such preparations as have been made are woefully inadequate and much too late.

The Japanese advance, which everyone anticipated would be in strength and would move with precision and rapidity, has caught the Chinese unprepared. The main line of resistance against which Japanese troops are now attacking in force was only lightly held with inadequate reserves moving forward to support the front lines but no doubt too late to prevent a Japanese penetration of the points attacked.

Shortly after the Japanese preparations for the invasion were effected, the Japanese Consul-General at Nanking presented an aide-memoire to the Chinese Foreign Office. An unofficial translation follows:

"1. The presence of the troops under Chang Hsueh-liang and other anti-Manchoukuo forces is incompatible not only with the sovereignty of Manchoukuo but also with the restoration of peace and order in Jehol. The Manchoukuo army is now putting into execution its plan to exterminate bandits and the remnants of the soldier-bandits in the province of Jehol and the Japanese army is obliged to give assistance to it under the terms of the Protocol concluded between Japan and Manchoukuo. The Manchoukuo Government repeatedly demanded Chang Hsueh-liang to withdraw his troops to regions inside the Great Wall but these demands were unheeded. Should this campaign in Jehol lead to armed conflict between the Japanese army in cooperation with the Manchoukuo army and Chang Hsueh-liang's troops and other anti-Manchoukuo forces, it will be entirely due to the presence of Chang Hsueh-liang's troops in Jehol and the responsibility shall therefore rest with China who has rejected the demands of Manchoukuo.

"2. The activities of Japanese troops in Jehol, whose aim is the purification of Jehol province as stated above and who are cooperating with the Manchoukuo forces, have no other objective than to insure order and tranquillity in that province. In principle, they will remain within the territory of Manchoukuo but if Chang Hsueh-liang's troops and other anti-Manchoukuo forces persist in taking positive action, it will be difficult to guarantee that fighting will not spread to North China. If any situation should arise as a result thereof, the responsibility shall rest entirely with China.

"3. Manchoukuo has always accorded generous treatment to anti-Manchoukuo forces who surrender themselves. Should Tang Yu-lin and his troops, as well as other anti-Manchoukuo forces, surrender to Manchoukuo, they will be dealt with leniently in accordance with the policy hitherto followed."

It appears that the Chinese reply denying all the Japanese contentions was given by the Chinese Government in record time, since the texts of both communications were released to the press at 10:00 p.m. the same day the Japanese demands were received.

However, following their usual tactics, the Japanese had not waited for diplomatic procedure but took preliminary steps to secure suitable lines of departure for their advances, and also to secure the Chinchow-Peipiao Railway and protect the railway to Tungliao for the purpose of establishing suitable railheads for their operations. The purely military features of the operations are handled in the Situation Report.

2. Japan and the Boxer Protocol.

On February 28, the Japanese Consul-General in Tientsin lodged a protest with General Yu Hsueh-chung, commanding the 1st Army and Chairman of Hopei (Chihli) province, against the construction of Chinese defense works at Taku. The Japanese protested that the construction of such defense works was in violation of the Boxer Protocol. General Yu's reply stated that the Boxer Protocol was a treaty and in order to be effective

must be observed by both contracting parties. He further stated that the Japanese had made no attempt to carry out their agreements with China and it hence would seem unreasonable to expect the Chinese to be the only ones bound by agreements.

As a matter of fact, the "defenses" are nothing but mud trenches and are negligible from a military point of view.

The Japanese in Tientsin, however, are much concerned by recent events in Jehol and have been stringing barbed-wire at critical points in the Japanese concession.

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COMMENTS ON CURRENT EVENTS

March 3—March 17, 1933

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1. "Defense" of North China
2. Official Statement Concerning Loss of Jehol
3. China, Japan and the Protocol

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1. "Defense" of North China.

The unexpectedly rapid occupation of the Province of Jehol by the Japanese Army, described in detail in the Situation Report, has left the Chinese stunned and humiliated. The refusal of many Chinese units to resist, the actual turnover to the Japanese of many others, were not considered by impartial observers as improbable but the ineffectiveness of such resistance as was offered by certain brigades of the Young Marshal and the ease with which the Japanese motorized columns advanced in terrain that offered particularly favorable opportunities for defense, was unexpected.

While the political background and the disagreements that invariably affect the decisions and actions of Chinese officials in emergencies of this sort are difficult to follow, it now seems certain that the Supreme Military Council, and the Chairman of that Council, Generalissimo Chiang Kai-shek, in particular, has since the beginning of the Sino-Japanese difficulties been opposed to the policy of Central Government direct participation in the defense of Jehol, a policy approved by the Plenary Session last December and supported by powerful groups at Nanking.

The Young Marshal, no doubt fearful that such resistance as his own troops, unsupported, could offer to the thoroughly equipped and organized Japanese Army would be of no avail and that during such resistance his divisions would be destroyed and that he himself might be sacrificed to the political advantage of others, has consistently refused to assume the responsibility for the defense of the Northeast. He has demanded from the beginning that the problem is a national one, that resistance should be of national concern supported by the Central Government which should assume the responsibility not only for the policy of resistance but for the plan implementing that resistance and for the equipment and supply of the troops involved.

Mr. T. V. Soong and the Generalissimo are reported to have violently disagreed as to the degree of responsibility and support the Central Government should assume for the defense of Jehol. The former advocated determined and effective resistance fully supported by the Government even though the Japanese made good their threat to strike south of the Wall into the Peiping-Tientsin area. He was apparently of the belief that such action south of the Wall would not only seriously embarrass Japan in her international relations but would entail such additional expense that the financial burden would eventually

weaken the determination of the people of Japan to support a policy so obviously aggressive.

Chiang Kai-shek has advocated a policy from the beginning for resisting with local or regional troops with a minimum of support from the National Government. The Generalissimo no doubt was convinced that all of the national resources, or such meagre parts of these resources as could be mobilized and employed, would be powerless to resist Japan, which country, he was convinced, was determined to bring "Manchoukuo" to the Great Wall. He had ordered the Young Marshal to resist but had consistently refused to assume any of the responsibility for such resistance. He even advanced money and munitions in limited quantities to the Young Marshal in order that resistance might be sufficiently effective to save the "face" of China. He never for a moment believed that such resistance could succeed in preventing the ultimate occupation of Jehol.

The result was a foregone conclusion. The Young Marshal sent only a few of his poorest brigades into Jehol. Even these brigades were badly handled and supplied by the unbelievably inefficient staff charged with the responsibility for their employment.

After the debacle the nation was startled into a realization that something was wrong and there arose a public clamor that could not be disregarded. Chiang Kai-shek hurried north for a conference with the Young Marshal, which conference was attended by the Acting Chairman of the Executive Yuan, T.V.Soong. The conference was held at Paotingfu and lasted but about ten minutes. The Young Marshal stated his views and his conditions which were forthwith refused by Chiang Kai-shek, whereupon the Young Marshal resigned. This resignation was formally accepted on March 12 by the National Government.

From that time Chiang Kai-shek and his relatively more efficient staff (accompanied by the principal German adviser, General Wetzel) has taken over the responsibility for operations and is represented in Peiping by the Vice-Minister of War, General Ho Ying-chin, who has assumed the duties of Chairman of the Peiping Military Council.

In a special train on the railway siding at Paotingfu, General Chiang Kai-shek has established a temporary headquarters to which a stream of Chinese officials, great and small, have been proceeding for instructions. Important conferences have been held with Lo Wen-kan, the Foreign Minister, Yen Hsi-shan, Chiang Tso-pen (Chinese Minister to Tokyo), representatives of Han Fu-chu and Feng Yu-hsiang. An effort has no doubt been made, reported as successful, to secure the active support of Yen Hsi-shan and other important and influential militarists in North China.

The Foreign Minister, Mr. Lo Wen-kan, in an official interview, emphatically denies the report that the Government is even contemplating direct negotiations with Japan. He has announced that the policy of the Government will continue to be a resistance to the Japanese and threatens an attempt to retake Jehol, while admitting that there is little prospect of success in such an undertaking. The Japanese are demanding a "neutral zone" south of the Wall and are pressing for direct negotiations to that effect.

The Central Government will no doubt avoid direct negotiations in a realization that there is no possibility of securing the return of "Manchoukuo" or any part of it, to even its nominal control by such means. There is a general belief that the Japanese, having reached the Wall, will be content to hold that line as being the limit of their intended advance and that Japanese troops will appear south of the Wall only in case the Chinese should attempt an advance in force in a forlorn hope of retaking Jehol.

The intention of the Chinese command is still obscure. There are at present in the Peiping-Tientsin area four divisions of Central Government troops, recently arrived, in addition to the more than 200,000 northern troops already here, and reliable reports indicate that several more divisions are en route toward Peiping from the south. It has been announced, and of course it is within the bounds of possibility, that a great counter-offensive is intended, employing these troops, designed to re-take Jehol. Foreign observers are loath to believe that such a move is actually intended or that any such effort will be made. The opinion prevails that Chiang Kai-shek and his staff will be forced by the mass of public opinion to make a show of determined resistance and that strong Chinese forces will be disposed along the southern border of Jehol to prevent any Japanese penetration south of the Wall, an advance that is at present not contemplated. Continued fighting along the Wall, of an isolated and unimportant character, may be expected during which the Japanese will gradually consolidate their control of the important passes into North China and the Chinese will gradually and grudgingly acquiesce in that control while making "face" with a show of force to appease public opinion. Thus direct negotiations will be avoided.

The numerous Central Government divisions arriving from the south will enable Chiang Kai-shek to insure complete control of the Peiping area for Nanking and will prevent any opposition to the reorganization now being effected for the control of this area by the Central Government.

There remains the possibility, however, that some Chinese commander, particularly General Sung Che-yuan whose forces are now engaged in what is reported as a desperate battle with the Japanese at Hsifengkow Pass, might by disregarding or exceeding instructions or otherwise cause the development of a situation that might result in reprisals by the Japanese, which might be an attack south of the Wall. It has been reliably reported to this office that three Japanese divisions were under orders, in cooperation with the Japanese Navy, to move directly into North China should the situation justify such action. The need of this force, as indicated, was believed to have passed upon the resignation of the Young Marshal but some drastic action involving considerable loss of life or difficulties to the Japanese command in securing the general line of the Wall may conceivably result in the use of the above-mentioned decision as originally intended.

2. <u>Official Statement Concerning Loss of Jehol</u>.

Mr. T. V. Soong, one of the most capable men in the National Government, who had journied to Jehol with the Young Marshal during the latter part of February and had later returned to Nanking to secure more effective support for the

defense of the province, upon hearing of the debacle there, issued a statement, extracts of which follow as it fearlessly described the incompetency of the Chinese military and the Government's attitude toward Jehol:

"'Until our military leaders discared eighteenth or nineteenth century conceptions of warfare and begin training a modern army in earnest, so long will national defense be lacking,' says Mr. T. V. Soong, Acting President of the Executive Yuan, in a statement on the loss of Jehol.'

"On his return from Jehol, Mr. Soong says he predicted a Chinese collapse within a week or ten days but his forecast was received with polite incredulity. Mr. Soong refers caustically to 'Traditions of old-fashioned warfare where vast armies marched and counter-marched with but little bloodshed and do most of the fighting with telegrams and proclamations.' He goes on, "Our generals who strut about in field grey uniforms with Sam Browne belts neglect that one universal principle of warfare enunciated by our greatest strategist, 'Soldiers are trained for a thousand days to be employed for a single day.'

"Mr. Soong compares the highly mechanized Japanese Army, well supplied with ammunition and foodstuffs and with an efficient transport system, with an army that 'has no staff work, with generals staying hundreds of miles behind, with no transport except of the most primitive sort'.

"He then goes on, 'Nevertheless I maintain that we did right in fighting in Jehol if only to prove that Jehol is Chinese territory momentarily to be filched by a stronger enemy. At least Jehol did not go by default.... Now that the debacle has come the public demands scapegoats. There will be no scapegoats.... The blame lies not so much with individuals but with the system which permits the existence of vast armies of ill-fed, ill-armed, ill-trained soldiery which in a time of crisis degenerates into helpless mobs. But we need not despair. From the depth of our defeat and from the unconquerable courage the nation has been showing in the face of frequent disasters, there will arise from the anvil of Japanese aggression something strong and pure, for great nations must be forged with blood and tears.'

"'At this time last year the world was hailing the epic of heroism that was the Chinese soldier at Shanghai. Today it looks with wondering eyes on a rabble fleeing back to the gates of Peking. These two came from the same stock only the one was quickened by the spirit of nationalism and the other corrupted and paralysed by the taint of archaic and incompetent military professionalism.'".

In accordance with this scathing denunciation of militarists, particularly of the present old-style northern organization, there has been a popular demand for the organization of effective military resistance in North China and of a reinforcement of the units now there.

Reports are current that the Canton Southwestern Political Council has proposed sending an expeditionary force to Peiping, consisting of several thousand picked officers and men from each of the provinces of Kwangtung, Kwangsi, Yunnan, Fukien and Kweichow, with General Tsai Ting-kai as commander. Likewise, reports have been received that troops from Szechwan are to be moved overland to this area. While it is realized that public opinion is demanding some drastic action, the probability is that the forces mentioned will never reach this area.

The 2nd, 25th, 44th and 83rd Central Government Divisions have already arrived and it is believed that the 1st and 3rd Divisions are en route from the south. Numerous Shansi and Suiyuan divisions are moving into the Kalgan area to prevent disorganized and disloyal troops from entering Chahar from Jehol. While predictions are of little value, especially when the people and officials in general are so wrought up as they seem to be at present, it is believed doubtful that more than a "defense" is intended and that the troops already en route will be sufficient for this emergency.

3. Japan, China and the Protocol.

The Japanese continue to protest against the Chinese activities in the Tangku area as being a violation of the Protocol and of the notes exchanged on July 15, 1902. When the first Japanese protest was made only slight activity was evidenced by the Chinese, but since that time considerable work has been done and recent reconnaissance by officers of the 15th Infantry indicates that the Chinese have substantially strengthened their entrenchments on both sides of the Hai Ho River, not far from the old forts. In addition to the shallow trenches mentioned in a previous report (No. 8525), emplacements for machine guns have been constructed using concrete and timber and the Chinese stated that artillery positions would be prepared.

These preparations by the Chinese are for the purpose of resisting any landing operations which the Japanese may later undertake in that vicinity. While they themselves do not constitute a serious menace to a properly conducted ship-to-shore operation, yet they furnish the Japanese with an incident to use as they see fit and may be construed as provocative by the Japanese high command in Tientsin.

The Chinese military at Tientsin have referred the Japanese protests to Nanking and developments are pending the reply. (See Confidential Report No. 8534.)

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COMMENTS ON CURRENT EVENTS

March 17 -- 30, 1933

RECEIVED G/2 W. D. APR 25 1933

1. Military Operations for Defense of Wall
2. Negotiations

1. Military Operations for Defense of Wall.

The military operations along the Great Wall and the possibility that the situation might develop into Japanese movements south of the Wall has been occupying the attention of the Central Government and of most Chinese officials to the practical exclusion of all other considerations. It is obvious to the most casual observer that there can be no comparison between the futile, ineffective, disorganized and puny resistance offered in Jehol and the resistance that may be expected south of the Wall. While the troops now deployed for action along the Great Wall are little better in training, discipline or equipment than those formerly employed in Jehol, they are better supplied and there is a decided improvement in unity of command. The disaster in Jehol has apparently impressed the Chinese military that something was wrong and with a belief that some remedial action is necessary. The influence of Chiang Kai-shek to secure a more effective defense will no doubt be felt. Chiang's authority is being exercised through the Minister of War, General Ho Ying-chin, who is now in virtual command of all the Chinese troops in the field from Chinwangtao to Kalgan. While the unity of command now being effected cannot conceivably approximate the unity of command common to western armies it is a great improvement over the disorganization that prevailed before General Ho assumed command and that prevailed during the operations in Jehol.

General Wetzel, the chief military adviser to the Central Government, a man of experience and ability, is present and there is little doubt that the Chinese military are much more willing to accept his advice and to act accordingly than ever before. The debacle in Jehol has shown up the deficiencies of their own military officials and the foreign advisers are now in a much more favorable position than formerly. The four Central Government divisions have now been sent to the front (see map accompanying Situation Report No. 8551) and efforts are being made to strengthen the positions along the Wall. The troops are much better supplied with both food and ammunition than formerly and the German adviser is known to have expressed an opinion that the Chinese troops should be able to hold their present positions.

The fact that Mr. Wang Ching-wei, the President of the Executive Yuan, has resumed his post is an indication that he is in agreement with General Chiang Kai-shek as to government policies, the most important of which are no doubt those relating to determined resistance and non-negotiation, both of which Mr. Wang has insisted upon from the beginning. With

practically unanimous support for the policy of resistance, Mr. Wang back in the government and Yen Hsi-shan and other northern militarists cooperating, the prospects of General Ho's organizing a more effective defense are greatly improved.

The Chinese maintain that Japanese action in Manchuria resulted from what was alleged to be Japanese "interests" in the northeastern provinces. They maintain that the Japanese had no such interests in Jehol and that there is even less justification in coming south of the Jehol border to the Wall which in fact is a defense of North China against hostile action threatening from the north. General Ho Ying-chin has stated most emphatically to the Military Attache that his troops will continue resolutely to defend their positions at and along the Wall, and that the Japanese will have to fight for every foot of ground they take.

It is the common belief in the foreign legations at Peiping that the Japanese firmly intend to advance their troops to the Great Wall and to secure it and the passes through it, and that operations will continue until the Japanese military have completed that task. General Ho and other prominent Chinese officials are of the same opinion.

2. Negotiations.

General Ho Ying-chin (representing General Chiang Kai-shek) and Mr. Liu Chung-chieh, the Vice-Minister of Foreign Affairs, both state most emphatically that they have never been approached by the Japanese (either military or diplomatic) for negotiations regarding Manchuria, Jehol, the military situation in North China, or a neutral zone, and they maintain that they have no intention of entering into any such negotiations. The Military Attache is inclined to believe that these statements are correct and that no negotiations are to be expected.

It is reliably reported that Japanese generals representing the Kwangtung Army are now in Tokyo requesting authority to operate south of the Wall, giving as a reason that they are at a tactical disadvantage along the Wall at their present strength and that by striking south of the Wall the situation could be liquidated with much less effort and loss of life.

It is conceivable that should Chinese resistance at the Wall be so effective as to necessitate costly and difficult operations by the present well equipped but small Japanese force to secure its entire length, the Kwangtung Army staff might request authority to attack from positions south of the Wall or to penetrate to a sufficient depth south of it to compel automatically a general Chinese withdrawal.

There is little doubt that the Japanese troops at present along the Wall reinforced by units now being held in reserve or otherwise employed by the Kwangtung Army and possibly by other divisions in Japan could advance into and secure the Tientsin-Peiping area and thus insure the destruction or withdrawal of the Chinese divisions along the Wall. In that event a new front would be established, another excuse might just as easily be given for another effort and the situation could be carried on ad absurdum.

It is of course conceivable that the threat of such action, if imminent and known to the Chinese Government, might result in the latter agreeing to negotiate to liquidate the situation. In their present temper few Chinese officials would dare to advise negotiations and the government would be the subject of serious public criticism should it begin such negotiations at the present time.

As far as can be judged from the prospective here, with necessarily a superficial knowledge of the Japanese viewpoint and motives, it seems improbable that the Tokyo Government will authorize an action which might result in such grave consequences. It would seem from this viewpoint that no vital Japanese interest can be advanced or protected by securing additional but unimportant passes at the Great Wall. The three most important ones, Shanhaikwan, Hsifengkow and Kupehkow, are now in Japanese hands. The Wall itself represents to China a defense against danger from the north and not a line from which to begin an offensive northward. The security of "Manchoukuo" would be little affected should its defense begin at the numerous positions available from just north of the Wall and to be found from the Wall at frequent intervals along the passes into Jehol. It would seem equally unjustifiable for the Chinese (who are no doubt aware of the practical certainty of defeat should the Japanese strike south of the Wall) to persist in efforts that would invite disaster. Reason and logic do not always prevail in such situations and unless some compromise is reached——a compromise that is not now evident but which may be effected nevertheless——the possibility that a grave situation may develop in North China looms large.

The fact that the situation has been quiet for several days, that there is now no serious fighting, and that there is no information of reinforcements moving toward the front, are all indications that no drastic action is contemplated in the immediate future by either side. In the meantime Chinese officials are continuing to remove the precious art objects and other valuables from the Palace Museum to safer localities. Chinese officials seem to anticipate an actual Japanese occupation of Peiping and Tientsin, an occupation not in fact necessary to cause a withdrawal of Chinese divisions now at the Wall. Such a withdrawal could conceivably be forced by a limited penetration into the area south of the Wall and not extending necessarily to either Peiping or Tientsin. Even such limited action would seem unnecessary under the circumstances, and it is not believed that the Japanese Government would care to begin at this particular time an operation whose consequences might lead to such grave results.

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COMMENTS ON CURRENT EVENTS

March 31—April 13, 1933

RECEIVED G/2 W. D. MAY 9 1933

1. Japanese Desire for Neutral Zone in North China
2. Negotiations
3. Chinese Eastern Railway—Manchoukuo Dispute
4. Piracy at Newchwang Bar

1. Japanese Desire for Neutral Zone in North China.

As this report is being written information is received that the Japanese have begun military operations near Lengkow Pass through the Great Wall with the object of driving the Chinese troops near the wall beyond artillery range southward. The reason advanced by the Japanese is that the Chinese were constantly sniping and making minor attacks against their positions near the Wall and that some remedial action was necessary to stop a situation that was becoming intolerable and that might otherwise develop seriously for the Japanese troops already widely dispersed along the southern Jehol border (see Situation Report No. 8563).

It is conceivable——and information received from reliable sources confirms the allegation——that while the Japanese intended to limit their military operations so as to include the Wall they, or more particularly, the Manchoukuo Japanese, hoped for the establishment of a neutral area immediately to the south of the Wall to include Peiping and Tientsin, which area was to have been controlled by some Chinese official amenable to Japanese influence and favorable to a cessation of active military resistance. Some time before the Jehol operations began the Japanese were known to favor Tuan Chi-jui, the capable leader of the notorious pro-Japanese Anfu clique, for the control of this area. Tuan was too experienced a Chinese politician to accept such a doubtful "honor" from the Japanese and he has left Tientsin, where he had made his home for years, and is now living in Shanghai to avoid the publicity and criticism that would inevitably result should be remain in North China.

Information from Manchoukuo confirms the opinion that the Japanese are frankly disappointed at recent developments. It is inferred that the Kwantung Army staff had expected some official with a large following of Manchurian troops to "turn over" to Manchoukuo. Large numbers of these troops have homes in Manchuria where it is quite natural they would like to return. The departure of Marshal Chang Hsueh-liang had left the Manchurian divisions practically leaderless. The Japanese have no doubt spent a great deal of money and have directed considerable propaganda efforts at alienating these troops from Nanking (to the Manchurian, Nanking has always been somewhat foreign), and responsible Japanese diplomatic officials frankly stated that they expected certain Chinese units to come over bodily to Manchoukuo. Japanese official sources have persistently issued "information" to the effect

that the Manchurian troops were to be sacrificed in battles along the Wall and that important Manchurian officials formerly under the Young Marshal were to be eliminated, that Chiang Kai-shek expected to advance his personal interests at the expense of the Manchurians, and that certain of Chiang's personal following were to take over the important positions in North China. Such statements were no doubt issued in the belief that they would facilitate Japanese attempts to secure the defection of important Manchurians.

In view of the fact that the predictions advanced above are those that can normally be expected in the usual Chinese game of politics and that in similar circumstances history discloses exactly similar methods, and that even the Chinese themselves, always critical of their officials, were making similar statements, there was a reasonable expectation that some Manchurian official with a military following would in fact turn over to Manchoukuo. To the surprise of many foreigners and to the disappointment of the Japanese, the Manchurian and other Northern leaders have accepted the changed situation without noticeable objection. General Chiang Kai-shek's clever move in retaining practically all the Manchurian leaders now in North China and assuring them of his "protection" seems to have checked opposition, and defections that might normally be expected have not occurred. Manchurian troops were relieved at some of the Wall positions by Central Government troops and the allegations that Chiang wished to sacrifice the Manchurians were effectively nullified. While information indicated that one battalion of Manchurian troops at the Chiumenkow front did in fact go over to Manchoukuo, no important leader has attempted to oppose the Central Government's control of the Peiping-Tientsin area and the changed situation has been in general well received.

2. Negotiations.

With reference to a report appearing in the press that "Dr. Lo Wen-kan had established contact with the Japanese for direct negotiations", the Waichiaopu spokesman characterised the report as a "most malicious fabrication". In reply to a report published in Berlin that the Nanking Government is prepared to abandon China's claim to sovereignty over Manchuria in exchange for relinquishment by Japan of extra-territorial privileges in China, the spokesman says, "The Chinese Government has repeatedly disclaimed any intention of entering into direct negotiations with Japan and far less will it consider the surrender of China's sovereign rights in Manchuria".

While it is reasonable to assume that the Japanese authorities are anxious to enter into negotiations for an armistice along the Jehol front, there is no information available that negotiations for that purpose have commenced or even that the Chinese authorities are willing at this time to enter into such negotiations. While it is commonly believed that the Japanese intended, and might possibly still hope, to install a "gray" regime in the area south of the Wall, and that a failure to reach some agreement concerning the military situation might result in a large scale invasion of North China, there seems little likelihood that any Chinese official can be found who would dare to initiate or to advise

such negotiations. Either an attempt to negotiate on the basis that now exists or large scale operations into North China would drive the country into the hands of extremists. It is perfectly obvious that direct negotiations for a settlement of the whole nexus of Sino-Japanese problems are out of the question for the present. Some "underground" negotiations might be possible for a secession of hostilities along the Wall, but should the Japanese demand any considerable neutral zone even for this purpose they would no doubt result in failure.

Mr. Wang Ching-wei, who recently resumed his duties as Chief of the Executive Yuan, has recently issued a long statement to the press in which he states "that all talk of a Chinese invasion and re-conquest of the Manchurian provinces to-day is simply fatuous". He professes confidence that the nation will survive and eventually succeed in making its resistance to the Japanese effective. Mr. Wang states that "China's position to-day is such that there is no alternative but the most determined resistance. It is true that diplomatic negotiations must go hand in hand with armed resistance, but of the two it is the latter which is more liable to lead to a fundamental solution, for without resistance there can be no prospect of success in negotiations". From the above it can be inferred that Mr. Wang recognizes the futility of immediate military measures against Japan and the ultimate need of negotiations. When and in what manner negotiations will begin no one can say but it is significant that Chinese officials have refused to see Mr. Yoshizawa, a former Japanese Minister to China, who recently visited Nanking and Shanghai and who is now making a brief stop in Peiping. For all that, the contact might conceivably have been made for the "underground" negotiations that sound judgment would seem to demand regarding the military situation along the Jehol border, - a situation that otherwise might develop seriously.

3. Chinese Eastern Railway—Manchoukuo Dispute.

Since the beginning of the Sino-Japanese imbroglio it has been increasingly evident that the important Russian interests centering in the ownership and administration of the Chinese Eastern Railway would become a source of friction in Soviet-Japanese relations. The Japanese no doubt hope finally to incorporate the C.E.R. into the general network of railways and other means of communication controlled by the Manchoukuo Government and they are going about their plans for that consolidation with typical Japanese bruskness and thoroughness.

The management of the C.E.R., no doubt aware of the Japanese plans and in an effort to anticipate them, have evacuated from their lines into Russia what is reported as 102 locomotives, 990 passenger coaches and 4000 freight cars. The control of such a quantity of rolling stock not only insures to the Russians a supply of transportation facilities for industrial purposes but provides important transportation facilities for military operations and proportionately hampers the Japanese should the situation develop to the point where military measures are employed.

Quite naturally the Manchoukuo authorities are anxious to secure the return of this rolling stock and of the customs and passport control offices at the Manchuli and Suifenho terminals of the line, and protests were made against the removal of the rolling stock. So far the Soviet authorities have refused all requests by the Manchoukuo government for their return and are accused by the Japanese of attempting to transport more rolling stock across the border.

During the end of March last, the Manchoukuo authorities took steps to prevent the movement of trains into Soviet Russia from both the eastern and western terminals and Mr. Mori, head of the Chinese Eastern Railway Bureau of the Manchurian Government, was directed to investigate and report. Mr. Mori states that "the sole object of the Manchoukuo government is to stop the unlawful transit practice and that international train passengers will not be hampered by any means through the interception of connections between the Trans-Baikal and Chinese Eastern Railways".

On April 10th, on instructions from M. Rudy, the General Manager of the C.E.R., the local officials of the railway at Manchuli refused to dispatch the connecting train to Harbin after the arrival of the Trans-Siberian Express. After several hours of negotiations, during which the Japanese military authorities threatened to maintain the service by using their own train crews, the train finally left for Harbin. A Reuter despatch from Harbin of April 11th states that "all switches at the west end of the C.E.R. and several lengths of rails have been removed, while strong Manchoukuo military forces are being held ready for emergencies and it is rumored that Japanese reinforcements are proceeding westward from Tsitsihar. The Manchoukuo Foreign Ministry has presented a note to the Soviet Consul General requesting the evacuation of Soviet customs officials from Manchuli and from Suifenho".

The possibility of the railway dispute between Manchoukuo and Russia leading to another Russo-Japanese conflict is stressed in a strong article in the Japanese-owned "Harbin Times", which accuses M. Rudy, General Manager of the C.E.R., with the "theft" of rolling stock and alleges that he is "endeavoring to push Japan and the Soviet into conflict". The article says, "If Moscow desires peace with Japan the same as Japan does with the Soviet, then it must discharge M. Rudy".

Developments are uncertain but it may be assumed that the Soviet authorities will use every means <u>short of war</u> to protect their interests in the railway and the railway zone.

4. <u>Piracy at Newchwang Bar</u>.

The Butterfield & Swire steamer "Nanchang" was pirated on the morning of March 29th while it was anchored at the bar waiting for a pilot to take it up to Newchwang. Three Chinese junks at the bar suddenly opened heavy fire on the ship and about fourteen pirates boarded the vessel and carried away four of her foreign officers.

The incident was promptly reported to the Japanese Consul General and to the "Manchoukuo" Garrison Headquarters at Newchwang, who immediately issued instructions to restrict the movement of the pirate junks. It will be recalled that Newchwang was the scene of the capture of Mrs. Pawley and Mr. Cockran last summer.

The British officers carried off were A. D. Blue, second engineer, F. L. Pears, third engineer, Clifford Johnson and W.E. Hargrave, junior bridge officers. Mr. Pears was later permitted to return to Newchwang to inform the British authorities that the pirates demanded a ransom of $1,000,000.00 in addition to trench mortars, machine guns, rifles and ammunition, for the release of the remaining three men.

Negotiations are proceeding in the usual method employed in the East for the release of the three officers, who at time of writing are still held captive.

The British authorities have made a great fuss over the incident, as well they might, as it is the second piracy at Newchwang, and a demand for better protection of the port seems justified.

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COMMENTS ON CURRENT EVENTS

April 14 --- 26, 1933

1. Crisis Again in North China
2. The Chinese Eastern Railway Dispute

1. Crisis Again in North China.

Events in North China have been moving swiftly of late but the end is not yet in sight. It will be remembered that General Chiang Kai-shek came up to Paotingfu as a result of the Jehol debacle and Marshal Chang Hsueh-liang was forced out of power in North China. General Ho Ying-chin replaced him and the new situation was accepted more quietly than was reasonable to expect by Chang's subordinate commanders. Then just at the time when Chiang Kai-shek was expected to take positive action against the Japanese, he left suddenly for the South, giving out as his reason for departure the reverses of Government troops in Kiangsi.

It is true that National Government troops met with reverses in Kiangsi, but our Consular representatives in that area believe that the situation is probably not more serious than it has been on a number of occasions in the past when the Chinese Government has carefully suppressed news of Government reverses there. The official admission of such reverses, a new move, is accepted in Hankow and by Chinese in general as having been designed to justify in the public mind General Chiang Kai-shek's failure to return to the scene of military activities against Japan.

However this may be, Chiang's absence from the North during the recent "Manchoukuo" - Japanese drive to clear the Luan River—Great Wall triangle has caused much unfavorable comment among the Chinese. Many here see the occupation of the Peiping-Tientsin area and despite the protestations by officials both here and in Nanking that negotiations are not possible at this time, there is a demand that something concrete be done - or as one Chinese paper puts it - "resist more strongly, attack or negotiate".

At the present writing efforts are being made locally by civilians in the Peiping-Tientsin area to bring about negotiations for an armistice designed to prevent any possible advance of the Japanese west of the Luan River. Despite the fact that the Japanese have made every effort to have their clearing of the triangle between the Great Wall and the Luan River appear to be a "Chinese" move, and that Tokyo despatches have declared that the Japanese were only concerned in creating a "neutral" zone south of the Wall, the situation in North China remains very tense. There is at present no Chinese leader who would dare come out in favor of direct negotiations with Japan providing for an armistice, even if all questions bearing on Manchuria and Jehol were not discussed. The recent visit to China of Mr. Yoshizawa, former Minister to China and Foreign

Minister of the late Inukai Cabinet, brought this out quite clearly. Every prominent Chinese official took great pains to be away from whatever place Mr. Yoshizawa visited and those who could not leave town went into hospitals on one pretext or another.

Many Chinese admit the wisdom of some sort of negotiations, but each is unwilling to accept the responsibility and the risk of physical violence from his own people should he propose such a measure. However, during the last few days, reliable information indicates that Hsiung Hsi-ling, former Premier of China, and Chiang Mon-liu, Chancellor of the Peiping National University, acting for Chen Kung-po, the Nanking Minister of Education, have secretly approached Sir Miles Lampson, the British Minister, with the idea of having him suggest some sort of an armistice to the Japanese. It is also known that Mr. Nakayama, the Japanese Chargé d'Affaires in Peiping, later called on Sir Miles, which visit was followed by a call upon Nakayama by Mr. Holman, the First Secretary of the British Legation. This whole matter is shrouded in secrecy but it is understood that the question has already been taken up with General Nakamura, the Japanese Commander in North China, who is resident at Tientsin. It seems reasonable that both the Japanese and British Legations have communicated concerning this to their home governments. The British are particularly interested because of the Kailan Mining Administration, the transport of whose coal from the Tongshan mines is being seriously interrupted. It is significant that no comments on this situation have been heard in the House of Commons in the past few days.

It is also evident that the Japanese diplomatic officials are not entirely in accord with the military in this matter. Mr. Nakayama in Peiping has confidentially stated to a reliable source that Japanese diplomatic circles would welcome some sort of negotiations.

Meanwhile, the often talked of "buffer state" in North China, the pet project of the Japanese Army for these many months, has been born in the critical triangle between the Great Wall and the Luan River. The five-barred flag of the first Republic of China is once more flying in Chinwangtao and efforts are being made to spread this influence. It is known that General Wu Pei-fu has sent emissaries to Ho Chu-kuo and other generals at the front offering to come out of retirement and take charge, but so far he has received little encouragement. Nanking, however, is worried over the possibility of a turnover in North China and has been worried ever since the departure of Chang Hsueh-liang and his replacement by Ho Ying-chin. General Ho is the representative of the National Government but he has no personal troops. There has been a gradual breaking away from the old feudal system and a growing national spirit, but the Nanking leaders are intelligent enough to realize that such a national spirit in an age-old individualistic race cannot be welded over night. All realize that the present crisis with Japan has given a common ground and has done much to unite China. Still it is quite evident that there has been feeling against Ho Ying-chin and a doubt in the minds of many of Chang Hsueh-liang's generals as to just what might become of them. This is a typically Chinese reaction

and one which the Japanese have striven to use for their own advantage. As noted above, the Nanking Government appreciates the possibility that Japanese pressure and propaganda combined with the fear of actual Japanese occupation of North China is a mental hazard hard to overlook for the Chinese actually confronted with it. The Central Government therefore sent Chen Kung-po, the Minister of Education, to Peiping to investigate. It appears that he considered there were some grounds for worry and advised Nanking accordingly. Apparently like information had already been given the Nanking Foreign Office by their representatives in Peiping.

At the present writing the situation remains very critical. Sure it is, however, that the present attitude of the National Government is receiving severe criticism. From the South the cry is "fight", from the North "resist". Only a few intellectuals have dared openly to breathe "negotiate". To this office an agreement for an armistice seems the only solution. When fighting ceases it may be possible to reach some sort of an arrangement to serve as a basis for future negotiations. Our best information at present is that some undercurrent of negotiation has been started by influential civilians in the hope of forestalling further Japanese aggression, and that the opening of these negotiations has received the approval of Chiang Kai-shek, Ho Ying-chin and Yu Hsueh-chung, - not because they desire it, but because it seems to them the only alternative to save North China from occupation by the Japanese.

2. <u>The Chinese Eastern Railway Dispute</u>.

Relations between the Soviet authorities and the Japanese-Manchoukuo combine over the Chinese Eastern Railway situation are growing more strained. Following events mentioned in G-2 Report No. 8564, the "Manchoukuo" Foreign Office took the initiative and asked for the evacuation of Soviet customs officials from Manchuli and Suifenho, two towns which had been Soviet customs offices since the construction of the C.E.R. They then kept pressing for the return of all the rolling stock, which action was shrouded in rumors and "reports" that Manchoukuo was planning to seize the entire Chinese Eastern. Shortly after, a statement was issued to the effect that Moscow was willing to return, when possible, the freight cars but not the locomotives which had been moved into Soviet territory. According to advices from Harbin, the "Manchoukuo" authorities refused to compromise and demanded the return of every kind of rolling stock.

The next step was a reply by the Soviet Consul General in Harbin to the "Manchoukuo" Foreign Office to the effect that the rolling stock not only belonged to the Soviet but that the C.E.R. is indebted to the Soviet for the use of the rolling stock for many years. The note further requested that in future all questions of this nature would be settled in accordance with treaty provisions and expressed the hope that Manchoukuo will "in future refrain from obstructing the normal working of the Chinese Eastern Railway".

On April 24th Li Shao-ken, President of the Board of Directors of the C.E.R., issued a statement to M. Kouznetzoff, the Vice-President, to the effect that the Soviet contention that the C.E.R. belongs to the Soviet Government is without legal foundation. He denied the Soviet statement that the railway had 2,000 Soviet railway cars in Manchuria and also that the cars already moved into Soviet territory have not been returned by Russia due to military operations. Mr. Li further stated that if a re-establishment of normal conditions is desired, then all cars and locomotives illegally evacuated to Russia must be returned before May 10th, the date fixed by the "Manchoukuo" authorities for the return of all the disputed rolling stock.

The C. E. R. dispute has been going on for some time and the approaching climax has most opportunely coincided with the arrival of the new Soviet Ambassador to China, Dmitri V. Bogomoloff, who reached Shanghai on April 24th, and will provide him with a knotty problem to discuss with the Chinese Foreign Office. This problem will prove a difficult one since any negotiations between Moscow and the puppet authorities in Manchuria will amount to a practical de facto recognition of these authorities by the Soviet Government. This in turn will react in like measure to a recognition of abridgment of Chinese sovereignty. Hence the position of the new Soviet Ambassador at the very outset of the renewal of Sino-Soviet relations will be precarious and may easily be very difficult. It is part of a skilfully calculated move on the part of Japan to embarrass Russia and since Russia's relations with Great Britain are strained, this is a further encouragement to Japan to make the situation increasingly awkward for Russia at the Far Eastern end of the Trans-Siberian Railway.

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No. 8572 1st Ind. WSD:elh

Office of the Military Attache, American Legation, Peiping, China, April 26, 1933 - To: The A. C. of S., G-2, War Department, Washington, D. C.

Forwarded.

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COMMENTS ON CURRENT EVENTS

April 27 - May 17, 1933

RECEIVED G/2 W. D. JUN 12 1933

1. Japanese Intrigue and War in North China
2. The Chinese Eastern Railway Dispute

1. Japanese Intrigue and War in North China.

The "buffer state" in the Luan River triangle, the child of the Japanese Army (see G-2 Report No. 8572), has not accomplished what was expected of it. It was attempted just at the time when the Japanese confidently expected that the threat of their occupation of the Peiping-Tientsin area combined with their propaganda campaign would cause the breaking away of North China from Nanking Government control and the setting up of an enlarged buffer state friendly to "Manchoukuo" and hostile to Nanking and Chiang Kai-shek. In this they nearly succeeded and had it not been for Yu Hsueh-chung, Chairman of Hopei (Chihli) Province, their plans for a North China buffer state would undoubtedly have materialized. Yu Hsueh-chung, however, remained loyal to the National Government and the coup d'etat failed for the time being.

It is evident that the Japanese will not cease to hope for the eventual success of their plan and the attempted assassination of Yu Hsueh-chung during the first week of April bears conclusive proof of the continuation of their efforts. Protected in the Tientsin foreign concessions there is at this moment a hotbed of scheming Chinese politicians and agents of "Manchoukuo", in all of whom the Japanese are striving to plant the seeds of further revolt against the authority of Nanking, hoping to use any lack of Chinese cohesion to their own advantage.

The immediate result of the failure of the Japanese was the realization on the part of the National Government that something must be done in North China and their creation of a "Peiping Political Affairs Readjustment Committee" (for personnel see G-2 Report No. 8583) which is heralded as a solution for the woes of the moment and propagandized from Nanking as in some respects a northern branch of the Executive Yuan. The standing committee of the new council will include General Huang Shao-hsiung, the minister of home affairs who is at present in Peiping assisting General Ho Ying-chin, Mr. Wang Shu-han, former Chinese secretary to Marshal Chang Hsueh-liang, Mr. Chou Tso-ming, the president of the Kincheng Banking Corporation, and Mr. Wang Yi-tang, former speaker of the Anfu Senate.

It will be noted that in addition to full fledged members of the Kuomintang, all important factions are included. For example, the old Chihli Party formerly led by Wu Pei-fu is represented by Chang Chih-tan, Yu Hsueh-chung and Wang Ke-ming. The former Kuominchun led by Feng Yu-hsiang is represented by Huang Fu, Han Fu-chu and Sung Che-yuan. Fu Tso-yi is an old

supporter of Yen Hsi-shan, while Wang I-tang was one of the old "Anfu Clique", well known for its pro-Japanese tendencies. The Japanese are known to be pleased with the appointment of Huang Fu and to a lesser degree with other Japanese educated members. Moreover the appointment of Dr. V. K. Ting, noted Chinese scientist and first Mayor of Greater Shanghai, whose practical ability is combined with high-minded patriotism, is a gesture to the intellectual groups in the country.

The establishment of this new coalition regime in North China, embracing virtually all elements while consolidating moderate opinion in China, will be also a test of Japan's good faith. It will be extremely difficult to convince disinterested public opinion that such a body as the new "Peiping Political Affairs Readjustment Committee" will adopt any sort of policy provocative to Japan; in fact, it is specifically designed to prevent any such possibility and to keep China as a whole and North China in particular from becoming further involved with the Japanese Army.

Meanwhile the Japanese are continuing their plots to create an anti-Kuomintang Government in North China, and the latest development in the political intrigue for the purpose of setting up such a buffer state was the attempted assassination of General Yu Hsueh-chung in Tientsin. It will be remembered that Yu Hsueh-chung was the keystone of the strength of the National Government and his loyalty to it prevented the overthrow of Central Government authority in North China. The Japanese, however, undaunted by this failure, tried to accomplish the same result by other means and one of these was the despatching of General Chang Ching-yao to Peiping. Chang Ching-yao was formerly Tupan of Hunan and one of the most prominent members of the old Anfu clique. Accompanied by his wife and several friends, he registered at the Wagons-Lits Hotel in the Legation Quarter. On May 7th he was assassinated by an unidentified Chinese who escaped from the hotel and has not been located. Following this, the police of the Diplomatic Quarter made two arrests in the Wagons-Lits, placed their captives in rickshas and started for the Central Police Station, as the Chinese police had indicated that they also wished to interrogate the captives. As they passed the Japanese barracks both prisoners made a break for the gate and one succeeded in entering; the other was recaptured by the police. The Japanese have refused to release the one prisoner who succeeded in passing the gate leading into their Legation property. M. Chayet, secretary of the Administrative Commission of the Diplomatic Quarter, went to the Japanese Legation in an attempt to have the escaped prisoner turned over to the Legation police. He was informed by the Japanese that when the man sought admittance to the Japanese barracks he spoke fluent Japanese and it was only later that it was discovered that he was a citizen of Manchoukuo!

From papers discovered on General Chang and from the one captive now in the hands of the Chinese police, it was learned that these men were employed in the same attempt fostered by the Japanese of establishing a buffer state in North China and that Chang Ching-yao was to be the commander of the Peiping-Tientsin area in the new regime. The Chinese authorities are convinced that the Japanese will continue to advance the establishment of a government in North China not under the control of Nanking.

General Ho Chu-kuo, commander of the troops in the Luan River - Great Wall triangle, has told the Military Attache that he expects a drive by the Japanese from Nantienman toward Peiping and westward toward the Luan River. This drive he believes is intended to cause the complete evacuation of all government troops now in the Peiping-Tientsin area and in the confusion which will ensue during their retreat the Japanese are expecting and will strive to secure the establishment of an anti-Nanking regime in North China. When asked whether it would not be possible to come to some agreement with the Japanese whereby Chinese troops would not advance within twenty li or so of the Wall and only such troops would be stationed in the larger cities east of the Luan River as would be necessary to maintain order, General Ho replied that he believed some such agreement could be made but only after the impending drive of the Japanese and the failure of their plan to cause confusion and the establishment of an independent regime in North China had proved unsuccessful.

Whatever attempts were made to negotiate for a cessation of hostilities (see G-2 Report No. 8572)have proved fruitless and the drive by the Japanese mentioned above has now been launched. This will be covered in detail in G-2 Report No. 8580. Japanese bombing planes have flown over Peiping on two successive mornings, dropping leaflets announcing Chiang Kai-shek to be the greatest enemy of China and that when the Chinese people get rid of him all will be well. These planes of course caused great excitement in Peiping and while on the surface things are moderately calm, undoubtedly the situation is more tense than it has been for many years.

2. <u>The Chinese Eastern Railway Dispute</u>.

Following the interchange of notes concerning the return of the disputed rolling stock taken by Soviet authorities and which the "Manchoukuo" Government demanded be returned by May 10th, the dispute widened into a general discussion of ownership of the Chinese Eastern Railway. M. Kouznetzoff, the Soviet Vice-President of the Railway, announced to Mr. Li Shao-ken, the President of the Board, that it was incontestable that the railway belonged to Soviet Russia and that the Peking and Mukden Agreements of 1924 admit that it is Russian property. He claimed that these agreements gave the Chinese certain privileges but none of the rights of ownership and he emphatically denied that the railway was jointly owned by "Manchoukuo"and Russia.

The latest development has been the offer by Russia to sell the Chinese Eastern to Japan. This offer apparently followed on the heels of an interview between M. Karakhan and the Japanese Ambassador to Moscow. It is understood that M. Karakhan (former Ambassador to Peking - a brilliant, unscrupulous and tricky individual) told the Japanese representative that it was futile for Japan to pretend that it was a matter for settlement between the Soviet and "Manchoukuo" and "therefore no concern of Japan". The Tokyo representative is reported to have replied that while he doubted whether Japan would agree to purchase the C.E.R., yet if she should decide to do so she will assure herself that there are no restrictions to such a purchase.

Japanese press reports state that official confirmation of the Soviet offer to sell the railway was received in Tokyo on May 7th and that Japan is willing to consider the purchase for Yen 80,000,000 in four instalments consisting of goods, railway receipts and cash. This offer by Soviet Russia has immeasurably eased the tension in Manchuria due to the fact that May 10th had been the day set by "Manchoukuo" for the return of the railway equipment taken by Russia, with the threat of "grave consequences" should their ultimatum be disregarded.

The Chinese Foreign Office has cabled Dr. W. W. Yen, Chinese Ambassador to Russia, instructing him to make it clear to the Soviet Government that the sale of the C.E.R. to Japan is impossible without the consent of China. Dr. Yen did so on May 16th. Dr. Lo Wen-kan, the Chinese Minister of Foreign Affairs, has also brought this matter to the attention of M. Bogomoloff, the newly arrived Soviet Ambassador. Following these events came the announcement by M. Litvinoff, the Soviet Commissar for Foreign Affairs, to the effect that the Nanking Government has ceased to be an actual partner with the U.S.S.R. in the C.E.R. since under the Peking and Mukden agreements China must send a representative to the Board of the Railway and no representatives have been sent for eighteen months. Hence the failure to meet this condition, he claims, deprives the Nanking Government of any moral right under the agreements. M. Litvinoff further contended that the above mentioned agreements did not give China the right to redeem the railway before the stated time, nor did they restrict the Soviet Government from selling to anyone, especially to a party actually in power in Manchuria and one which is fulfilling the part of the Chinese under the said agreements.

This last pronouncement by Russia has been a severe blow to China. The recent resumption of diplomatic relations between the two countries had raised the hopes of the Chinese and they had been reasonably sure of and had been counting on Russian support in their attitude over the railway dispute.

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No.8584 1st Ind. WSD

Office of the Military Attache, American Legation, Peiping, China, May 17, 1933 - To: The A. C. of S., G-2, Washington, D. C.

Forwarded.

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COMMENTS ON CURRENT EVENTS

May 17 - June 1, 1933

1. War or Peace in North China?
2. The Japanese Legation Guard and the Protocol.
3. The Chinese Eastern Railway

1. War or Peace in North China?

RECEIVED G/2 W. D. JUN 26 1933

Following the immediate failure on the part of the Japanese to form a buffer state in North China (see G-2 Report No. 8584), the situation became very serious and even the most conservative seriously expected further advances by Japanese troops with a possible cutting of the Peiping-Tientsin railway and its connecting lines to effect a complete evacuation of Chinese troops in this area. This move would threaten the lines of communication of both main concentrations of Chinese forces in North China and prevent their uniting in any combined action against the Japanese thrust. A dangerous move on the part of the Japanese it would have been, but well worth the chance under the circumstances. However on May 22nd evidence began to leak out, denied by both sides, that negotiations of some nature were under way. An extra was published by the Peiping "Wan Pao", an evening paper, at noon on the 23rd which gave the following as terms of a preliminary truce:

> "1. The Chinese troops should be withdrawn to Ch'angping, Shunyi, Kaoliying, Tungchow and south of Ningho. The Japanese forces should not advance any further.
>
> "2. China should despatch a delegate to Miyun to hold negotiations with the Japanese military officers for the conclusion of a formal armistice.
>
> "3. Japan should also send a delegate to the Chinese side for the same purpose as mentioned under Article No. 2.
>
> "4. Each side should forthwith send a delegate to a certain point on the Peiping-Liaoning Railway for starting negotiations for the conclusion of a formal armistice and withdrawal of the forces of both sides."

This agreement was credited as having been reached with the aid of the British and French Ministers and while this is denied, it is believed this report was merely a face saving device on the part of the Chinese, the Japanese being definitely opposed to any third party. The extra was at once suppressed and the paper closed down for three days. Rumors flew thick and fast. It is known by this office that a representative from the staff of General Ho Ying-chin by the name of Hsü went to Huai Ju Hsien, north of Peiping, and certainly the line mentioned in the extra is the one to which the Chinese have fallen back and are now occupying. A high

staff officer of the Chinese Army told the Military Attache that a truce had been concluded but that the terms could not be published until ratified by Nanking. Then on the 26th the Tokyo Foreign Office announced that a preliminary truce had been concluded at Huai Ju on the 25th and that a formal armistice would be signed on the 29th. The next day the Japanese War Office issued a communique reiterating that Japan's sole objective was to insure the peace and security of the Manchoukuo border along the Great Wall and that she had no intention of taking either Peiping or Tientsin. It also stated that truce negotiations between the Chinese and Japanese armies had begun. The communique declared Japan's readiness to negotiate with any responsible Chinese who was sincere, and asserted that Japan was prepared either for peace or war.

Just what the Japanese mean by "security of the Manchoukuo border along the Great Wall" is not clear. Before their last drive there were no Chinese forces attacking the line of the Great Wall but only small units put out to maintain contact and keep the peace in the localities evacuated by the Japanese troops. Very likely what the Japanese want is a "neutral zone", neutral for the Chinese only, in which the Japanese will demand the stationing of their own outposts. The presence of a large Chinese army, massed near the Great Wall and prepared for action, even though that action at the time was purely defensive, was no doubt considered by the Japanese a "provocation" and a menace to the security of "Manchoukuo".

On May 30th delegates of both Japan and China met at Tanku for the purpose of signing a final agreement. General Okamura, Assistant Chief of Staff of the Kwangtung Army, Mr. Nakayama of the Japanese Legation, and General Nakamura, commander of the Japanese garrison in Tientsin, were important delegates for Japan. Acting for the Nanking Government through General Ho Ying-chin, the agreement was signed by General Hsiung Pin of the Nanking Military Council, and other military officials.

At 11:11 a.m. May 31st the formal armistice was signed, the completion in such a short time indicating that detailed agreements had been reached prior to the meeting. The document given in detail in Situation Report No. 8595 is a simple one of five articles, a purely military armistice. The main points are that (1) troops of neither side will cross the approximate line on which the Chinese forces are now established (nearly that given in the suppressed newspaper extra mentioned above) and that Chinese forces will offer no provocation; (2) the Japanese have the right to inspect the area up to the aforesaid line; (3) the Japanese will withdraw to the Great Wall when they are satisfied that the Chinese have fulfilled their part of the armistice.

While the armistice terms are simple and much to the surprise of all make no demands on China, they really leave the Japanese freedom of action. It is noteworthy that the Japanese still hold the whip-hand and that they alone are authorized to determine whether the Chinese are complying with

agreements not to "provoke" or not to "re-enter" the so called neutral zone. It is significant also that the western (Chahar) border is not specifically mentioned in the agreement, and the possibility remains that Japanese or Manchoukuo troops may still advance into that area.

Following a conference at Kuling on May 31st between Chiang Kai-shek, Wang Ching-wei and other notables, Wang Ching-wei issued the following statement with reference to the armistice:

> "Any local arrangement will not affect China's territorial rights or her international position but is designed to give a breathing space to the sorely tried troops and the distressed population. The Government willingly bears responsibility as regards the present situation and appeals to the sound judgment of the people as to the merits of its action."

2. <u>The Japanese Legation Guard and the Protocol.</u>

The present "war that is not war" between China and Japan presents many unusual situations. One of these is the position of the Japanese military force in Peiping. Their Legation Guard, normally about 300 strong, has just been increased by some 300 men, ostensibly for the protection of Japanese nationals as allowed under treaty rights. The Japanese announce that they believe their residents are in danger because a Chinese is reported to have driven up to the gate of the Japanese Legation Guard compound, jumped from his car, and to have assaulted the Japanese sentry with a knife. The Chinese is said to have been captured and is still held in the Japanese barracks. An official request from the Chinese Foreign Office to turn this man over for trial has been refused. No actual eye witness of the assault can be located nor has any request been made by the Japanese for the apprehension of the driver of the automobile, who drove away. The Chinese believe the whole affair to have been engineered by the Japanese themselves and there is a great deal of evidence to substantiate this belief. However this may be, the Japanese sentries have been doubled on the gates and stand behind neck-high sandbag emplacements with slits cut for machine guns. As usual the Japanese are taking much stronger methods than the situation demands. Strange as it may seem, when the Japanese troops were advancing on Tungchow, wounded Chinese troops coming into the city and Japanese airplanes flying overhead, Japanese women and children moved freely about the streets and markets without a single unpleasant incident. Despite this and the unlooked for restraint on the part of the Chinese towards the Japanese population, the Japanese Legation on May 27th sent the following memorandum to the Chinese authorities:

> "The fact that a Chinese officer disregarding International dignities and rights, came in taking a weapon with him and assaulted the sentry at the main gate of the Japanese Garrison which is the Guard to the Imperial Japanese Legation, is believed to be one of the outcomes resulting from lack of good faith of the Chinese authorities.

"In addition to this anarchical action, troops which had retreated in flight from the front line, came into the city and looking for houses to stay in sections where many Japanese live, cause a great anxiety to not only Japanese but also to the other residents there.

"On receiving this report, the General commanding the Japanese forces in China sent a powerful detachment from Tientsin to Peiping, and put it under command of the Commandant of the Legation Guard to complete protection of the residents.

"The Japanese Commandant in Peiping, however, has refrained from adopting such means that the forces of the Guard be distributed in the parts where the Japanese residents most closely live, or that the residents be evacuated into the Legation Quarter, because he thought it would cause a great anxiety among all citizens, and has sent patrols to the sections mentioned above since the 24th.

"Prior to the realization of his idea, the Commandant sent a note to the Chinese authorities asking them to give an order to the retreated troops which came in, to leave the inner city so as to avoid any possible trouble between the Japanese and Chinese troops.

"Yesterday Mr. Pao, chief of the Public Safety Bureau, visited the Japanese Charge d'Affaires and informed him of the complete withdrawal of the Chinese troops questioned from the city. But, we are regretful to learn according to our investigations many of them are still remaining here and there in those sections.

"We can't believe that possibilities of breaking out of any serious matter is eradicated as long as the Chinese authorities resort to their traditional unfaithfulness."

Since that time patrols of twenty men fully equipped for field service and carrying large Japanese flags have been patrolling the east city, the section where the majority of Japanese civilians live. At other times several hundred Japanese soldiers have marched up and down the main streets and in every way the Japanese seem to be trying to provoke trouble. Chinese police have been doubled, stationed outside Japanese business houses and even outside the larger residences. Special military police from the Peiping Garrison have also been placed on duty in the important localities.

The situation of course is absurd. Japanese patrols are only some twenty miles from Peiping in the Tungchow area, Chinese troops are preparing to defend the city, and quartered safely in the Legation Quarter at their backs are over six hundred Japanese fully armed and knowing as much of Chinese troop dispositions and defense arrangements as do the Chinese themselves. Nor can there be any doubt that should occasion arise the Japanese would at once violate international agreements and use their Legation Guard as belligerents, attacking the Chinese defense forces in the rear. This is a foregone conclusion, as when the Japanese airplanes were flying over Peiping and being fired on by Chinese anti-aircraft guns, the Commandant of the Japanese Guard had two motor trucks with machine guns mounted thereon and manned by fully armed soldiers waiting to go to the aid of the planes should they be shot down.

Here lies one of the most pressing dangers to the foreign community in Peiping. Should the Japanese Legation Guard take action against the Chinese while Peiping as at present is filled with Chinese troops defending the city, a grave situation would possibly result. The Chinese troops, the 83rd and 87th Divisions of the Central Government, would no doubt take immediate steps to prevent such a violation of the "neutrality" of the Diplomatic Quarter. Plans to protect the city from just such an effort on the part of the Japanese have been considered and are believed to have been prepared, and Chinese military officers have stated that in a defense against such Japanese action the safety of the Diplomatic Quarter will not be considered.

In reality foreign troops, including those of the United States, are at present jointly defending the relatively small area of the Diplomatic Quarter, with one of the belligerents (Japan) responsible for the defense of a section of that area. A breach of neutrality on the part of one of the belligerents can be definitely predicted under present arrangements. It would seem that the only solution for this anomalous situation would be to put the entire responsibility for the defense of the Diplomatic Quarter on "neutrals" alone. As logical as such an arrangement might be it would no doubt be resisted and resented by the Japanese command.

3. <u>The Chinese Eastern Railway.</u>

After the Russian decision to sell the C.E.R. (see Report No. 8584) the only question which remained unsettled was whether Japan or Manchoukuo would buy it. The protest of the Chinese Government to the Soviet (see Report No.8584) has apparently received little attention though the Soviet Foreign Commissar, M. Litvinoff, has informed Dr. Yen, the Chinese Ambassador, that a reply would be made shortly. Advices from Nanking under date of May 23rd indicate that up to that time no reply had been received from Moscow.

According to news from Tokyo an agreement has been reached between Japan and Manchoukuo reference the purchase of the Chinese Eastern following a conference between Mr. Ohashi (formerly in the Japanese Legation, Peiping), Manchoukuo Vice-Minister of Foreign Affairs, and Mr. Shigemitsu, the newly appointed Japanese Vice-Minister. This announcement was followed on May 26th by word in a Reuter's telegram from Tokyo which stated that the Japanese Ambassador in Moscow had been instructed to inform M. Litvinoff that Manchoukuo, acting on the recommendation of the Japanese Government, was ready to purchase the railway. According to this, the Japanese Ambassador was also instructed to invite the Soviet Foreign Office to appoint a delegate to discuss with the representatives of Japan and Manchoukuo the price to be paid for the road and the method of payment.

China, having lost Manchuria by virtue of Japanese armed force, is now being swindled out of her interests in the Chinese Eastern Railway by Russia and Japan, the dominant figures in the Far East whose interests are so diametrical and whose only point in common is to see that China remains weak. Manchuria may be likened to a football, first carried by Russia, lost to Japan on a fumble and now firmly held by her and being carried forward in a truly amazing run. How far Japan can carry the ball before being tackled again by Russia is only conjecture. China, who owns the ball, has little to say and cannot stop the game in her present condition.

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The above are no doubt issued for purely propaganda purposes by the Japanese and are not believed to be the whole truth but the facts all point to there being more to the Tangku truce than appears on the surface despite official denials from both sides. Whatever may have been the complete understanding it is believed that no question of the recognition of Manchoukou was brought up. The Tangku agreement in effect definitely terminates the Sino-Japanese military operations and there seems to be no prospect of their resumption.

2. <u>The Truce and South China</u>

Following closely on the announcement of the truce signed at Tangku, the Southwestern Political Council again became articulate in a protest to the League of Nations and the signatories of the Nine-Power Pact. Our consular representatives in Canton, who have examined the documents, believe that the English version represents the original draft and that it is the work of Eugene Chen, who recently went to Canton to accept a seat on the Council.

This protest announces the opposition to any agreement with Japan based on the recognition of Manchoukuo and asserts that the informal negotiations between representatives of the Japanese General Staff and the Nanking Military Committee for settlement of the dispute in North China disregarded the vital interests of China. The document then goes on to discuss the legal terms of the agreement and announces that it has devolved upon the Southwestern Political Council to register the opposition of the Chinese nation to such negotiations with Japan and to inform the League and the friendly powers that the Chinese people refuse to recognize as valid any agreement made by Nanking with Japan in violation of China's territorial and administrative integrity.

Judging this protest in the light of other actions of the Southwestern Political Council, it would seem that it is designed as a plea to the powers to support the S.W.P.C. in whatever stand it may later take against Chiang Kai-shek and Japan.

3. <u>Feng's Bid for Fame</u>

Feng Yu-hsiang, famous for being anti-government and anti-everything unless run by himself, recently gave vent to another hot-headed burst of oratory and telegrams in an effort to embarrass the Nanking Government. Again assuming his characteristic "Saviour of China" pose, he formed his Anti-Japanese National and Salvation Army, appointed his own officials at Kalgan and denounced the National Government. On June 12, however, through the intervention of officials of the Central Government who were former adherents of Feng, the latter was persuaded to change, outwardly at least, his attitude. And so the Kalgan issue, while as yet unsettled in so far as the Japanese are concerned, is temporarily clearer. The retraction of Feng Yu-hsiang and the intelligent policy of the National Government acting through Huang Fu for the present have prevented a civil war in North China.

As a matter of fact, whatever Feng's ulterior motives he has actually aided Nanking as there can be no doubt that his action hastened the inauguration of the Peiping Political Affairs Readjustment Committee. The latest development has been the offer of Nanking to reinstate Sung Che-yuan, of Hsifengkow fame and one of Feng's former generals, as head of the Chahar Provincial Government. Feng has telegraphed to Sung welcoming him to Chahar but despite the outward change in the former "Christian General" this office believes that the Chahar situation is far from being settled and that it still remains one of the pressing issues.

4. Peiping Political Affairs Readjustment Committee.

With typical Chinese gestures of refusal and reluctant acceptance, sickness and grandmothers' funerals, the various members of the Political Affairs Readjustment Committee assembled in North China. The inauguration took place on June 17th in the old Waichiaopu or Foreign Office building.

Huang Fu is easily the strongest character in this group. In the last few weeks when the situation was at its worst and Ho Ying-chin and other of the powers that be were packing up ready to move, Huang Fu refused to make any preparations and said that he would remain in Peiping. Before coming North he gave an interview in which he said that it would take a brave man to make terms with the Japanese at this time because of the fact that no matter what the terms they would be unacceptable to certain elements in China. He has lived up to his speech and his position at this time has created considerable confidence among his subordinates who are indeed faced with a difficult task.

The three outstanding problems for settlement are:

1. The problem of Feng Yu-hsiang and his anti-Japanese and National Salvation Army.
2. Disposition of the Northeastern troops formerly under Chang Hsueh-liang.
3. Disposition of the (Manchoukuo) troops of General Li Chi-chun in the Luan River area.

In dealing with the first question they are indeed between the devil and the deep sea since should Feng Yu-hsiang succeed in gathering any considerable number of troops and the authorities be forced to employ forces of the National Government now in the North against him, they would immediately be subject to severe criticism because of the announced anti-Japanese and National Salvation Army slogans of Feng Yu-hsiang. Chinese would immediately wonder why the troops of the National Government have made a truce with Japan and then turned to attack the troops of Feng Yu-hsiang, who are avowedly anti-Japanese.

The second problem is more a question of finances. Prior to the movement of the southern troops in North China to be used against the Japanese, North China was supporting forces of Chang Hsueh-liang, believed to be the maximum military expenditure possible. With the arrival of the southern troops the problem has become extremely difficult since it now appears that the Southern Government is not

inclined to support the southern troops when operating in North China. Thus the North is faced with a double financial burden. This can of course be solved by the removal of the southern troops to their former stations but then comes the problem of maintaining the loyalty of Chang Hsueh-liang's former troops when faced with the threat of some combination headed by Feng Yu-hsiang and without the balancing influence of southern divisions. While this is a real worry to the Chinese it is not believed that the revenues available to Feng Yu-hsiang will permit extensive operations by him at this time and this is borne out by his recent change of front and apparent willingness to cooperate with Nanking. Feng however is likened by the Chinese to the grass on the top of a wall, which sways as the wind blows, and in spite of his unlooked for rapprochement with Nanking it is believed that conditions in Chahar are far from a settlement.

The third problem, that of finding some territory to support the troops of Li Chi-chun, is also a knotty one. Li is demanding that his troops be incorporated in whatever force is organized in the Luan River triangle to look after the area between the Japanese and Chinese troops as specified in the Tangku truce. Neither the Japanese nor the Chinese, however, are quite satisfied with this. The Japanese on the other hand do not wish to take over these troops as it would be an admission that they were responsible for Li's attempt to form a buffer state (see G-2 Report No. 8584). The Chinese are equally unwilling to have these "traitor elements" incorporated with them and up to the present time no decision has been reached as to their disposition. Reliable sources report that General Li and his organization have ordered all posters of Sun Yat-sen or of the Kuomintang removed from buildings and walls and that he is attempting to destroy every evidence of Kuomintang influence in the Luan River area, - a political move which will greatly embarrass the Nanking Government.

5. <u>The United States Wheat and Cotton Loan</u>.

On June 9th the Legislative Yuan approved the $50,000,000 cotton and wheat loan with the Reconstruction Finance Corporation. The reaction in China to this loan on the whole has been favorable and officials of the Nanking Government have expressed themselves as being in agreement with T. V. Soong and believe that it will benefit China. The Canton faction of course is opposed to the loan as they are convinced that it will help the position of the Central Government.

6. <u>The Chinese Eastern Railway</u>.

An official report from Mr. T. Ohta, Japanese Ambassador to Moscow, was published in the Japanese press on June 6th, giving the Soviet official reply to Japan's overtures regarding the sale of the Chinese Eastern. Japanese sources state that the Soviet answer contained the following items:

"The Soviet Government has no objection to carrying on negotiations with Manchoukuo for the sale of the N.M.R. through the good offices of Japan.

"Tokyo shall be the place of negotiations. It is desired that the negotiations open on June 25."

The announced Japanese policy is to have negotiations carried on between representatives of the Soviet and Manchoukuo with Japanese "good offices" only when difficulties are met with in the discussions! It is reported that Mr. Togo, director of the Europe & America Bureau, will be the principal figure to interpose, if necessary. The Soviet and Manchoukuo delegations are believed to comprise the following:

Soviet Russia: Mr. Yureneff and Mr. Kuznetsoff.
Manchoukuo: Lieut. General Ting Shih-yuan, Mr. Chuichi Ohashi, and Mr. Nariyuki Morita.

While efforts are being made to settle the affair as quickly as possible there are occasional stumbling blocks, evidently placed by the Japanese in an effort to increase Soviet willingness to get rid of this most troublesome of railways. One of these was the blocking of the Chinese Eastern from Manchuli, at Suifenho (Pogranichinaya) where it re-enters Soviet territory. The Russians consider this blockade by Japanese officials in the service of Manchoukuo as a violation of the existing treaties and the special agreement between the C.E.R. and the Ussuri Railway, and have so informed the Japanese Ambassador in Moscow. The reply of the Japanese if made has not been published but it is believed that this matter will receive only cursory attention as compared with the main issue - the final settlement to purchase the railway in the name of "Manchoukuo".

S. V. Constant.

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Major, Cavalry
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Office of the Military Attache, American Legation, Peiping, China, June 22, 1933 - To: The A. C. of S., G-2, War Department, Washington, D.C.

Forwarded.

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COMMENTS ON CURRENT EVENTS

June 2 -- 22, 1933

RECEIVED 6/2 W. D. JUL 15 1933

1. North China and the Tangku Truce
2. The Truce and South China
3. Feng's Bid for Fame
4. The Peiping Political Affairs Readjustment Committee
5. United States Wheat and Cotton Loan
6. The Chinese Eastern Railway

1. North China and the Tangku Truce

After the signing of the Tangku truce a great feeling of relief swept over North China and was evidenced not only by the Chinese but by the Japanese as well. Much to the surprise of both Chinese and foreigners the published terms of the truce, while giving Japan virtually a free hand, made no demands upon the Chinese and seemed to cover purely military matters. The heightened morale evidenced by Northern leaders, however, and the preparations for disbandment of hospitals and other relief organizations forecast greater assurance of permanent peace than actual conditions would have seemed to warrant.

The Japanese are apparently trying to cultivate some measure of good feeling with the Huang Fu regime. A Japanese military plane landed at Nanyuan to express sympathy from the Kuantung Army for the Chinese casualties in the late unpleasantness. Finding no Chinese officials there, messages of condolence were dropped at the Japanese Legation for delivery to the Chinese authorities. The Japanese announce that the Legation failed to notify the Chinese authorities but Chinese gossip has it that the Chinese authorities were notified and purposely failed to appear. Also over last week-end there were several large mixed parties of Chinese and Japanese officials at the Western Hills, the most prominent Chinese present being Huang Fu. All these events lend credence to the rumors known to have been given discreet publicity by the Japanese themselves that there were some secret agreements in the Tangku truce which were not published. No accurate information is as yet available regarding any such verbal terms but from Japanese sources comes a reported interview by General Okamura which has been "confidentially" obtained giving these verbal agreements as follows:

(1) Central Government troops are to be withdrawn from North China.
(2) Railway communication is to be restored between Peiping and Shanhaikwan.
(3) Trade relations are to be established and commercial traffic is to be resumed between North China and "Manchoukuo" through the Great Wall passes.
(4) Kuomintang activities are to be suppressed in North China.
(5) The Japanese are to refrain from encouraging any separatist movement in North China and are to support Huang Fu.

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COMMENTS ON CURRENT EVENTS

June 22 - July 7, 1933

1. Canton Assails Truce
2. The Chahar Deadlock
3. The Aftermath of Tangku
4. Boxer Fund Building
5. Tsingtao Naval Affair
6. The Chinese Eastern Railway

RECEIVED G/2 W. D. JUL 29 1933

1. Canton Assails Truce

Not satisfied with their protest against the Tangku truce made to the League of Nations and the signatories of the Nine-Power Pact (see G-2 Report No. 8601), the Southwestern Political Council is again busily engaged in keeping the political pot boiling. At a time when a helping hand is needed for Nanking, these outbursts from Canton are receiving little attention except in the form of criticism from the thinking Chinese.

It can safely be said that the action of Dr. W. W. Yen, Dr. Wellington Koo and Quo Tai-chi in telegraphing the S.W.P.C. asking their co-operation with the National Government in the present crisis, met with universal approbation. Appreciating regional differences as only the Chinese can, yet all classes admit that Canton should forget its differences of policy with Nanking and unite to combat the common enemy, Japan.

The Cantonese however seem to be taking advantage of disturbed conditions to further their own cause. Their reply to Yen, Koo and their Ambassador to Great Britain says that the Tangku armistice agreement is a great political and diplomatic blunder on the part of Nanking and is in the same category as the Sino-Japanese agreement signed in Shanghai last year. It concludes: "Japan has not only dispossessed us of the Four Northeastern Provinces, invaded China Proper and slaughtered many of our brethren but has also deprived our troops of all their strategic garrison districts. Yet our delegates at Geneva have not taken any action. For this reason the Southwest cannot remain silent".

Had the Cantonese done else but talk when the Japanese invaded Jehol their present loquaciousness might have been given a different reception in parts of China which have actually suffered from the Japanese.

2. The Chahar Deadlock.

The belief that the Chahar situation was far from settled (see G-2 Report No. 8601) has been warranted. Two proposals were made to Feng Yu-hsiang; first, that he abolish his title as Commander of the People's Anti-Japanese National & Salvation Army and second, that he go to Peiping to discuss matters there.

The delegate sent by the Peiping authorities reports that Feng refuses to abolish his self-made title and also to leave Kalgan until General Sung Che-yuan arrives, giving as his reason the fact that someone should be responsible for defense of the Northwest. Feng has a trump card in his anti-Japanese slogan and he is too wily an old fox to be enticed from his lair by promises alone.

General Sung, who has been appointed to Chahar by the National Government, is naturally loath to go there while Feng refuses to compromise. The fact that he was one of Feng's old commanders in the days of the Kuominchun makes his position the harder as he cannot openly take steps to oust his benefactor without incurring censure in the Chinese mind. He is holding conferences with General Ho Ying-chin in Peiping and delegates continue to travel to and from Kalgan in an effort to reach an amicable settlement.

3. <u>The Aftermath of Tangku</u>.

From all available information it is evident that the Chinese are carrying out their part of the Tangku truce better than are the Japanese, though the latter have done more than was expected under the circumstances. The task of the Chinese has been made no easier by the situation created in the Luan River area by the Japanese. After aiding the irregulars under General Li Chi-chun to establish themselves, the Japanese have created for them by the truce a zone into which Chinese forces are prohibited from going to suppress these irregulars. This of course gives the Japanese an excuse for a slow withdrawal of their forces there.

In an effort to settle the matter by arbitration a commission has been appointed for the taking over of the districts to be evacuated by the Japanese. This of course has special reference to the Luan River section. All indications point to the fact that the Japanese are determined to exercise more control inside the Great Wall than that to which they are entitled by the truce.

In this dispute the point of most interest to foreigners is the interruption of traffic on the railway from the Peiping-Tientsin area to Chinwangtao. Since the Japanese invasion trains have only resumed operation from Tientsin to Lutai and from Tongshan to Chinwangtao and Shanhaikwan, this of course following repairs to the Luan River bridge.

Some days ago the Japanese approached the commandants of foreign troops stationed in Tientsin with the proposition that guards be placed on the trains to run through the area occupied by the irregular forces of General Li. They further stated that the Peiping-Liaoning (Peking-Mukden) authorities had asked their help to secure these train guards. The other foreign commandants were unwilling to join in such a plan and wisely so, as the present matter of running the railway is purely an internal one with no complications which would demand use of foreign troops to keep communications open to the sea.

The Japanese, however, took the matter in their own hands and on July 4th a train with a strong Japanese guard, some Chinese police and railway personnel was run from Tientsin to Tongshan, going over the hitherto closed Lutai-Tongshan section without interruption from Li's forces. Regular train service has not yet been established.

According to present arrangements when the trains leave Lutai going east, the Japanese soldiers board the train and remain on to Tongshan and return. Reports from railway authorities reveal that telegraph and telephone communication with Tongshan have been restored.

It is believed that this move on the part of the Japanese in placing guards on the trains is part of their plan to strengthen their control over the operation of the railway as far west as possible.

The result of negotiations for the evacuation of the Japanese troops to the Wall is naturally of vital interest to North China. Indications point to the establishment of several Chinese commanders acceptable to the Japanese in the zone between the line laid down by the Tangku truce and the Great Wall. Until this is done in a manner approved by the Japanese Army their further withdrawal is not anticipated. Closely connected with this is the problem of Chahar, for while the threat of Feng Yu-hsiang exists in that area it is considered most improbable that the Japanese in the Miyun sector will withdraw toward Koupeikow. As a matter of fact these forces appear to expect a long stay in that vicinity and have established a regular truck and camel train service for their supply from Peiping, thus obviating the use of their former long line of communications via Chengtefu.

4. Boxer Fund Building.

On July 2nd the cornerstone of the new offices of the Board of Trustees for the Sino-British Boxer Fund was laid in Nanking. The site for the building is close to the Central Kuomintang Headquarters and the Foreign Office. Mr. Chu Chia-hua, Minister of Communications and Chairman of the Board of Trustees, and Mr. E.M.B. Ingram, representing Sir Miles Lampson, the British Minister, delivered the principal speeches. Mr. Ingram read a message from the British Minister and then added a few words which are quite indicative of the present British policy in China. He said: "The members of the board are not only trustees of money but are trustees of Sino-British friendship. The development of China is not only mutually beneficial but will benefit the whole world".

5. Tsingtao Naval Affair.

The spotlight in Shantung has moved from military to naval affairs with the attempt to assassinate Admiral Shen Hung-lieh, Commander-in-Chief of the Northeastern Naval Squadron and concurrently Mayor of Tsingtao. Following the execution of the Admiral's assailant, three of the warships, the "Haichi", "Shaho" and "Haishen", left port and put to sea, their commanders sending radio demands for the resignation of Shen. Reports from all along the coast as far south as Hongkong indicate that the three vessels are moving in that direction with a view to joining the Kwangtung Navy.

On July 5th at a meeting of the Southwest Political Council, General Chen Chi-tang voiced objections to the incorporation of the truant ships in the Southwest Navy as an action contrary to the principles of co-operation with the Central Government. On the face of it, this statement might well be considered evidence that the Canton faction was really behind this naval revolt, but judging the situation from the viewpoint of Chinese naval politics it is believed that the whole affair was part of a plot by the strong Fukien faction in the navy to get rid of Admiral Shen who is a native of Shantung.

Shen has wired Nanking tendering his resignation as commander of the Northeastern Naval Squadron and as Mayor of Tsingtao, but to date no official action of the Nanking Government has been announced.

6. <u>The Chinese Eastern Railway</u>

The conference in Tokyo between representatives of the Soviet Government and "Manchoukuo", with just enough Japanese atmosphere to insure progress, opened proceedings on June 26th. Russian representatives were M. Yurenev, Soviet Ambassador to Tokyo; M. Benedict Kozlovsky, chief of the Far Eastern Division of the Foreign Affairs Commissariat, and M. Stefan Kuznetzoff, Deputy Director of the Chinese Eastern Railway. "Manchoukuo" delegates were Ting Shih-yuan, "Manchoukuo" Minister to Tokyo; Mr. Chuichi Ohashi, "Manchoukuo" Vice-Minister of Foreign Affairs, and Mr. Moriyuki Mouita, representative of the Hsinking Ministry of Communications.

Mr. Ohashi, called leader of the "Manchoukuo" delegation by the Japanese press, gave the following interview to the Japanese papers:

> "Our minds are made up. We have already notified the Soviet Government that we may accept their offer if the conditions are acceptable to us. The negotiations may take time as we are dealing with Russians. However, we do not care even if the situation remains the same as now after the conference. I cannot say how the parleys will come out."

On June 22nd the Chinese Government issued a further protest to Japan in connection with the proposed sale of the railway. It is understood that if reply is made it will be to the effect that Japan is not a party directly concerned in the sale negotiations! The latest reports from Tokyo state that the Soviet delegates are asking two hundred and fifty million gold roubles for the railway and its allied enterprises, while the Manchoukuo representatives have offered fifty million yen on condition that Russia be responsible for all claims on the railway. It is not believed that this is by any means the final offer from either side nor that the deal has yet reached a point where the "good offices" of Japan will be required to settle the matter.

For and in the absence of the Military Attache:

S. V. Constant.

S. V. Constant
Major, Cavalry
Assistant Military Attache

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COMMENTS ON CURRENT EVENTS

July 7 -- 20, 1933

1. North China and the Dairen Conference
2. China's Proposed Constitution
3. The Naval Imbroglio
4. Tientsin Intrigue
5. British Boxer Funds
6. The Chahar Affair
7. Chinese Eastern Railway Negotiations

1. North China and the Dairen Conference.

To hasten the taking over of the Hopei districts from the Japanese army, a commission was appointed headed by General Yü Hsueh-chung, Chairman of Hopei Province and concurrently Mayor of Tientsin. This commission was jointly organized by the Peiping Branch Military Council, the Peiping Political Affairs Readjustment Committee (see G-2 Reports Nos. 8591 and 8583), and the Hopei Provincial Government, and has its headquarters in Tientsin. According to an announcement made by the Peiping Branch Military Council the members are: Mr. Chien Tsung-chei, Managing Director of the Peiping-Mukden Railway, Mr. Wei Kien, Civil Commissioner of the Hopei Provincial Government, Mr. Li Chei-yi, Secretary of the Peiping Political Affairs Readjustment Committee, Mr. Tao Shang-ming, of the Military Council, Mr. Liu Shih-sun, of the Political Council, Mr. Yin Tung, of the Political Council, Mr. Lei Shou-jung and Mr. Hsueh Chih-hang.

The functions of the commission were officially given out as follows:

1. To prepare the programme for the taking over of the districts to be evacuated by the Japanese troops within the Great Wall.
2. To organize the police forces that will be responsible for peace and order in the districts to be evacuated.
3. To assist in the restoration of traffic along the Peiping-Mukden Railway.
4. To restore the Chinese administration in the districts.
5. To negotiate with the various parties concerned for the carrying out of the above mentioned duties.

Following the establishment of the commission, Messrs. Hsueh Chih-hang, Lei Shou-jung and Yin Tung went to Dairen for "informal discussions" with General Li Chi-chun, head of the irregular forces inside the Wall in the Luan area, and of course representatives of the Japanese Kwantung Army. Major-General Okamura, Assistant Chief of Staff of the Kwantung Army, presided at the conference, though the Japanese say he was present only as an observer. A typically oriental touch was added to the meeting when a photograph of all the delegates was

published in the Manchuria Daily News of July 6th. General Okamura was in the center of the picture and "on his left is Li Chi-chun, whose face has been blocked out in compliance with a Dairen police order, so that nobody may know who he is". The Japanese of course are taking no chances on having their henchman assassinated by some patriotic Chinese.

On completion of the Dairen Conference the Chinese delegates returned at once and Mr. Yin Tung gave out a statement through the Peiping Branch Military Council which is believed to be an accurate account of what took place. In view of the various press accounts of the conference this statement is quoted below:

"Owing to the presence of renegade troops in the Luantung area, it was at first impossible to take over this area according to the stipulations of the Tangku agreement. Due to this difficulty the authorities in North China sent three delegates, including myself, to Dairen, for consultations with some Japanese military officers and Li Chi-chun. Briefly stated, our mission was twofold: We were instructed to arrange for the disposal of the renegade troops and to restore traffic on the Peiping-Mukden Railway.

"Regarding the renegade troops, an agreement was reached whereby they will be moved to a certain distance from the railway for reorganization. Only one-third of the renegades, totalling 12,000, thus about 4,000 men, will be incorporated in the Police Force. This force will be stationed at Fengyun and Luanchow, controlled and paid by the Hopei Provincial Government. The remaining two-thirds will be disbanded and sent back to their native provinces, Honan and Shantung. Their rifles will be confiscated with some compensation.

"Li Chi-chun's future position has not been decided upon, but the Chinese authorities have promised to pardon him for his misconduct in the Luantung area. Without taking the present of the renegade in consideration, the Chinese Government will not proceed to take over the former fighting zone.

"The traffic on the railway, which affects foreign interests, regulated by treaties, must therefore be immediately restored. Both parties have thus agreed to resume the traffic to Shanhaikwan as it was before the fighting. Details will be settled by the railway authorities.

"At Dairen no formal conference was held, neither was any agreement signed."

It is understood that a formal Sino-Japanese meeting will later be held either in Tientsin or Tangku for the official signing of the Dairen agreement, but no definite information is available on this point. As was expected, a compromise was reached which took in practically all the men Li actually had, his figure of 12,000 being for bargaining purposes only. The Japanese have succeeded in placing at least one Chinese who will do what they tell him in the area specified by the Tangku truce (see G-2 Report No. 8614).

It is understood that the Chinese will reorganize Li's irregulars into a brigade to be stationed as noted above and at other districts inside the Great Wall. The number of troops to be incorporated it is said will be determined by the number of rifles turned in. In other words an irregular must produce a rifle in order to be incorporated into this new force. This brigade is supposed to be withdrawn north from the railway zone, leaving this area under a special police, the organization of which has not been completed.

Railway service has been partially re-established. Regular trains run from Peiping and Tientsin to Tangshan. From Tangshan to Chinwangtao-Shanhaikwan the Japanese are running their own trains as yet. Through traffic without transfer is expected in the near future.

An important question that yet remains to be settled is the title to be given to General Li Chi-chun after his return to the Chinese fold, and last but by no means least comes the problem of the supply and pay for his men.

Progress in settling the vexatious questions brought about by the Japanese invasion of North China has been slow, but the situation is much more complex than it appears even on the surface. The Tangku truce stopped the actual fighting and the Dairen Conference has done much to smooth the way and give a feeling that for the time being the slow burning fuse leading to another great explosion has been impeded.

2. China's Constitution.

A draft of a permanent constitution for China, long heralded, has finally been completed. This document, a very long one by the way, contains a curious mixture of the old and the new in China, as for example one article which provides that parents shall pay attention to the moral, intellectual and physical education of their offspring, and that the children shall be filial to their parents.

The constitution was prepared by Dr. John C. H. Wu, a well known jurist who is vice-chairman of the Constitutional Drafting Committee. It is now being presented to the public for study and criticism. Too much credit cannot be given to Dr. Wu and also to Sun Fo for their constructive service to China in the preparation of this document. So far very little comment has appeared in the press but a great deal of discussion and necessarily some changes to the constitution may be expected before it is finally presented for legislative action by the government.

3. The Naval Imbroglio.

The three runaway naval vessels from Tsingtao (see G-2 Report No. 8614) which finally steamed to Canton had some difficulty in joining the Cantonese Navy. These ships were immediately followed by the cruisers Haiying, Yatsen and Ninghai. For a time it was uncertain whether these last three were joining or trying to catch the fugitive Haichi, Chaoho and Haishen, but on July 12th Chinese Naval Headquarters in Shanghai

gave out an official statement to the effect that the Haiying, Yatsen and Ninghai went south for regular cruising purposes not connected with the Northeastern Squadron trouble. It is believed that the runaway trio had the sympathy of the strong Fukien naval clique and that whether the southern cruise story is true or whether a partial chase was ordered to save face, the sympathies of the majority of the navy are with the southern element which now appears to be in the ascendancy.

Outwardly at least the Cantonese seemed loath to take in the three Tsingtao vessels, but finally at a conference in Canton on July 14th to discuss the matter General Chen Chi-tang appointed Captain Chiang Hsi-yuan of the Haichi as high adviser to the headquarters of the First Kwangtung Group Army Corps and announced that a deputy commander from Canton was being appointed for each of the three new acquisitions to the Cantonese Navy.

Admiral Shen Hung-lieh, the Tsingtao Naval Commander and also Mayor of Tsingtao, has resigned his naval command. His resignation has been accepted by the Nanking Government and he has telegraphed to the effect that he will abide by the decision of the Peiping Branch Military Council reference the disposition of the remaining warships of the squadron. General Ho Ying-chin however is quoted as saying that this squadron has been placed directly under the National Government. Shen has also resigned as Mayor of Tsingtao but has been prevailed upon to continue in office at least until the close of the 17th Annual North China Track and Field Meet now going on in that city. Admiral Shen is a native of Shantung and has made a good record as a civil administrator. While his ability as a naval commander may seem doubtful judging from recent events in his squadron, it is the belief of this office that this was due more to his having been born in Shantung and not in Fukien than to any lack of ability on Shen's part. As noted before, the Fukien naval clique is in the ascendancy.

4. <u>Tientsin Intrigue.</u>

During the Japanese invasion of North China it will be remembered that they gave considerable thought and money toward the establishment of a buffer state in that section of the country (see G-2 Report No. 8584). One of their numerous activities was to hire "plain-clothes men" to cause trouble in Tientsin. Treachery among his subordinates caused the arrest of Hau Peng, a native of Sanho, Hopei, one of the leaders in the recent Tientsin trouble and a co-director in the independence movement in the Luan area. Hau's arrest was ordered some months ago by the Chinese authorities and the reward offered was given as the cause for several of his followers to bundle him into an automobile and take him from his funk hole in the Japanese Concession and deliver him at the headquarters of Yü Hsueh-chung.

It is understood that a trial was held and the Chinese press states that Hau admitted having been mixed up with the activities in the Luan area but denied having any connection with the Tientsin trouble, which he stated was carried on against his advice. Before the Chinese officials had time to punish Hau, the Japanese authorities in Tientsin protested against his seizure as violating the jurisdiction of the Japanese

in the Concession area. The Chinese officials stated that they knew nothing of any such arrest but that when Hau was brought to them by the treachery of his own men, he was placed under arrest on Chinese territory. The matter was referred to Peiping and for some reason the prisoner was released on July 9th under orders from General Ho Ying-chin and Huang Fu.

From reliable authority it is learned that Yü Hsueh-chung was loath to free Hau except under orders from Nanking but did so finally on telegraphic orders from Huang Fu. This story is also confirmed by reports from the American Consul at Tientsin and strengthens the belief that the Huang Fu regime is most unwilling to antagonize the Japanese at this time.

5. British Boxer Funds.

According to the spokesman of the Ministry of Communications, a loan has been granted by the trustees of the British Boxer Indemnity Fund to the China Merchants Steam Navigation Company for the purpose of purchasing six new steamers. These vessels, which will of course be made in England, are to be designed especially for the service which they will render. Two will be for the China--South Seas trade and four smaller ones for use on the Yangtze River.

This is an excellent example of British business in taking money out of one pocket and putting it in another. It was not so long ago that another loan was made for the purpose of completing that famous British dream, - the half-finished Canton-Hankow Railway, which lacks only the Hsuchow (Chuchow, Hunan)-Shiuchow (Kwangtung) section. The southern section was purchased from American interests about thirty years ago, but the northern section from Wuchang (opposite Hankow) has been under British tutelage for many years. These loans from British Boxer funds to purchase British equipment are quite indicative of renewed British interest in the China trade. This interest, while none the less keen, is assuming a different attitude from the old "boil 'em in oil" tactics of British commercial-diplomatic tactics of former days, as indicated in G-2 Report No. 8614.

In this connection it is again desired to call attention to the detailing this year of an officer of the British Air Force as a language student in Peiping, the reported appointment of an Air Attache to the British Legation, and also the return of Colonel Badham-Thornhill, retired British Army officer and until recently Military Attache in Peiping, accompanied by Sir John Higgins, agent for the Avro-Armstrong-Siddley group.

6. The Chahar Affair.

The settlement of the Chahar affair seems no nearer a solution from one point of view and more hopeful from another. This seemingly paradoxical statement may be explained very simply. On July 12th Feng's forces recaptured Dolonor when the troops of General Chi Hung-chang caused the Manchoukuo detachments under General Tsui Hsiu-wu to retreat toward the Manchoukuo

border. The Japanese army officials at once protested against Feng's actions as being in violation of the Tangku truce. They are reported to be preparing a strong protest to the Peiping authorities and are quoted as saying that they will "assume such measures as they deem necessary".

7. <u>The Chinese Eastern Railway Negotiations.</u>

The Tokyo Conference between representatives of the Soviet and "Manchoukuo" (see G-2 Report 8614) regarding the sale of the Chinese Eastern Railway gives no outward sign of constructive progress. For some days both sides have been bargaining as to price. Bearing in mind that the railway does not really belong to Soviet Russia but that China also has an interest in it, it would seem that the price asked by Russia is not excessive, since in any case this cannot include the value of the land connected with the railway. As to Japan's offer - some five hundred million yen less than the Soviet sale price - it may well be that this was made with the object of having it refused.

Should a deadlock be reached then Japan's "services would be requested", according to Japanese sources. The "Manchoukuo" News Service has given out the following release which is informative and comes from a spokesman of the Japanese War Ministry:

> "One possible way of negotiating the sale may be found, if the Soviet side consents to reduce the exchange value of the gold rouble to the level agreed on in the Soviet-Japanese fishery case settlement of some eight years ago. Then the rouble was valued at 34 sen to the Japanese yen.
>
> "At that ratio the high sales price of 250,000,000 roubles amounts to about ¥ 80,000,000, which is not very far above the sum offered by the Government of Manchoukuo.
>
> "As long as the Soviet negotiators maintain their present attitude of claiming the whole railway as a sole, undisputed possession of the Soviet Government, and hold fast to the exorbitant price, any hope of consummating a sale is dim indeed.
>
> "The Japanese authorities, as friendly observers, expect the negotiators to show an accommodating spirit, and effect the property's transfer on the basis of its real current value."

While the conference moves slowly, events along the railway zone itself are showing signs of activity and the Japanese press in Harbin is demanding the arrest of Soviet administrators of the Chinese Eastern Railway for alleged sabotage in preventing reorganization of the railway according to the "Manchoukuo" program. The Japanese owned "Harbin Times" has published under date of July 14th a report that Mr. Li Shao-keng, President of the Board of the Chinese Eastern Railway, had received instructions from the "Manchoukuo" Ministry of Communications in Hsinking ordering him to remove Soviet officials of the road if they continue their present "sabotage policy" which is resulting in losses to the railway and which prevents essential reforms.

Judging events from the sidelines, all these happenings may be leading to a real deadlock inspired by the Japanese for the purpose of mediation controlled by them, a thing which they are continually denying as being needed. Should their mediation fail they can always cause the withdrawal of the "Manchoukuo" delegates and engineer the final seizure of the railway by "Manchoukuo". As yet a crisis has not been reached but it will be most interesting to see whether Japan will adopt her usual tactics and choose one of the alternatives above described or whether she will evolve some new type of scheme to secure her will for control of the world's most troublesome railway - the Chinese Eastern.

S. V. Constant.

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No. 8622 1st Ind. WSD:elh

Office of the Military Attache, American Legation, Peiping, China, July 20, 1933 - To: Chief, Military Intelligence Division, Washington, D. C.

Forwarded.

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2005-5-622
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WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

July 20 - August 10,1933

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1. The Position of the Central Government
2. Retrocession of Occupied Areas
3. The Tsingtao Naval Imbroglio
4. Bogomoloff Travels
5. The Scramble for Islands
6. A Solution for Chahar?
7. Japan Objects
8. Chinese Eastern Railway Complications

1. The Position of the Central Government

By one of those almost magical transformations, so prevalent in Far Eastern affairs, the Nanking Government, whose prestige fell to rather low ebb during the Japanese invasion, finds itself riding once more on the crest of the wave. This has actually been the result of not only good common sense but also of most astute political strategy.

Irritated from the south by Canton's invectives, harassed from the north by Feng Yu-hsiang's salvation slogans, exhausted nearly to the breaking point by Japanese threats, the Central Government has indeed been carrying a heavy load. Hence much credit for the present better state of affairs must justly be given Chiang Kai-shek and his teammates for the measure of order which they have inaugurated from seeming chaos. The experiment of the Peiping Political Affairs Readjustment Committee (see G-2 Report No. 8601) headed by Huang Fu has already justified itself and the most pressing problems in the North are on the road to solution.

During the past few weeks Chiang Kai-shek and other government leaders have been holding a series of political-military conferences in Kuling, which closed July 26th. Present at various times have been Sun Fo, Wang Ching-wei, Lo Wen-kan and other notables. The most recent visitor has been Huang Fu and the departure of Yü Hsueh-chung for the south has been announced.

Topics discussed are believed to have included the League's technical help to China, conclusion of foreign loans and purchase of war stores; readjustment of financial affairs in China; reorganization of troops in Hupeh; relief for Chinese in the demilitarized zone in the Luantung district; the Feng Yu-hsiang question; measures to handle Cantonese elements; foreign policy. What has gone on behind the scenes can only be surmised but the results seem hopeful and the future looks clearer than it has for some time.

While reports from the anti-communist campaign are discouraging, the retrocession of the districts occupied by the Japanese is progressing and even the Chahar affair is clearing up with Feng apparently in a new and more tractable role, no doubt influenced by the threatened Japanese-Manchoukuo advance against him.

It is certain that the present policy of Nanking is to placate the Japanese. Huang Fu and Yuan Liang, the latter newly appointed Mayor of Peiping, are returned Japanese students and very little is heard now in North China about the Japanese boycott. In this connection it is interesting to note that the Nanking Finance Ministry reports that imports from Japan have increased by fifty per cent. since the Tangku truce was signed. It is quite evident that the Chinese while chafing under Japanese pressure feel themselves for the moment unable to combat Japanese aggression.

2. Retrocession of Occupied Areas.

The Retrocession Commission headed by General Yü Hsueh-chung (see G-2 Report No. 8622), organized to hasten the taking over of the Hopei districts from the Japanese army, has made satisfactory progress. That there was some delay is only natural but that this difficult task is nearing completion with so little friction is evidence that there is a sincere desire on both sides to hasten the completion of their task.

Of the nineteen districts in the "demilitarized area" there are only five as yet remaining to be taken over by the Chinese. Chinwangtao has been returned but Shanhaikwan still remains under Japanese control. The five districts still not completely returned to Chinese administration are Chienan, Kihsien, Tsunhua, Tushan and Hsinking.

Through traffic on the Peiping-Liaoning (Peining) Railway to Shanhaikwan has not been opened. It is necessary to change at Tongshan, from which point the Fengtien-Shanhaikwan (Fengshan) Railway runs trains under Japanese control.

A conference to settle this situation has been in session at Shanhaikwan between officials of the Peining, Fengshan and South Manchuria railways. Much against their will and due only to Japanese pressure, officials of the Peining Railway went to Mukden on August 7th to continue the conferences there.

3. The Tsingtao Naval Imbroglio.

After much hesitancy on all sides the Tsingtao runaway warships were finally officially incorporated into the Cantonese Navy, much to the delight of the Southwest Political Council whose chief aim in life is to throw verbal rocks at anything the Central Government does.

Having resigned his naval command, Admiral Shen Hung-lieh made his best gestures to resign from his position as Mayor of Tsingtao but his native sons would not listen to his regrets and he was finally prevailed upon to remain. As a final face saving move General Han Fu-chu, Chairman of Shantung, invited Shen to accompany him on a visit to Taishan, China's sacred mountain, and also to Kufowhsien (Chu Fu), the birthplace of Confucius.

4. Bogomoloff Travels.

M. Bogomoloff, the Soviet Ambassador, has been traveling for the past few weeks in North China on a combined tour of inspection and recreation. On July 24th he entertained lavishly at the former Soviet-Union Embassy in Peiping when invitations

were sent to all whose names appeared on any sort of list - diplomatic or otherwise. Many legations were hesitant about accepting and one minister even departed a day early for the seashore, but those who attended were royally entertained. With something of the old Imperial atmosphere, guests were treated lavishly to champagne by the bottle and Russian cigarettes were appropriated so freely that the Ambassador's stock was exhausted before the evening was half over.

While M. Bogomoloff's stay in Peiping was pronounced a great success, a Tsingtao report states that he was insulted in a local hotel by a young Pole, whose father is Dr. Shislo of Shanghai. Young Shislo is supposed to have caused trouble in the hotel where the Ambassador was staying and even to have openly affronted him. Press reports state that M. Bogomoloff complained to Admiral Shen, the Tsingtao Mayor, with the result that Adam Shislo was departed to Shanghai.

5. <u>The Scramble for Islands</u>.

Much comment has been caused in private and official circles in the Far East by the French occupation of some small coral islands between Indo-China, Borneo and the Philippines. There are nine of these islands with a total area of about 300 acres, or less than half a square mile. Of these some are desert islands and a few are frequented by Chinese fishermen. Up to the present time they have been unclaimed by any nation and apparently mostly uncharted.

On April 7th and 12th of this year the French gunboats "Astrolode" and "Alorte" hoisted the French flag over the islands and named them Caye, d'Amboise, Ituba, Deaux, Illes, Laito, Thitu and Spratly. Notice of their occupation was released on Bastile Day, July 14th, and the official announcement was made on July 25th.

The Japanese Foreign Office was much concerned and is reported to be studying the matter with a view to possible protest to France based on prior exploration by Japanese subjects. No formal protest has been made to date.

The Chinese Foreign Office on the other hand holds these islands to be the Sisha group and to belong to China. The Cantonese navy is also concerned about them and General Chen Chi-tang has ordered Admiral Chang Tso-hing, commander of the Southern Navy, to send a warship to the South China Sea to investigate the matter.

6. <u>A Solution for Chahar?</u>

Following a barrage of telegrams and scurrying of delegates back and forth from Kalgan to all parts of China, Feng Yu-hsiang has apparently seen the wisdom of "living to fight another day" and has agreed to break the Chahar deadlock. Despite press reports to the contrary, reliable information indicates that the authorities in Peiping received word from Chiang Kai-shek at the Kuling Conference not to attack Feng. It is not known whether Feng was aware of this, but it is certain that he made overtures to Canton with a view to joining with them in embarrassing the Nanking Government. The Cantonese were willing to assist him verbally but apparently not otherwise.

The Japanese became much concerned over Feng's anti-Japanese pronouncements and finally decided to organize a force against him. This move was known to Nanking and most likely was the cause of their delaying tactics with a view to having the Japanese eliminate Feng for them. Apparently their plan has succeeded for on August 6th Feng issued a telegram announcing that the control of all political and military affairs would be handed back to the Central Government through General Sung Che-yuan. General Ho Ying-chin, Minister of War, announced on August 8th that General Sung Che-yuan would return to Kalgan to resume his duties as soon as Marshal Feng Yu-hsiang had left there. Also that General Sung reached Hsuanhua on the Peiping-Suiyuan Railway on August 8th and that Marshal Feng Yu-hsiang was expected to leave Kalgan for Changpeh in the next few days.

So once again the scene changes in Chahar, and the curtain is ready to rise on another act.

7. Japan Objects.

Considerable comment via Japanese news agencies has reached China reference to the assistance (undoubtedly the U.S. Wheat and Cotton Loan) reported to have been given to China as a result of T. V. Soong's trip to Europe and the United States. The Japanese also include the statement that sales of arms and ammunition have been included and a Rengo despatch of July 25th carries the following as an informal statement from the Foreign Office:

> "The Chinese Government is clandestinely working in America and Europe to evoke the Powers' sympathy in order to obtain from them loans and arms. Since the supply of funds and/or weapons to China will do no good but help aggravate internal dissension and anti-Japanese activities in the country, ultimately leading to the disturbance of peace in the Far East, the Japanese Government must needs express their opposition to the Powers' policy of assisting China in this manner. Should they maintain such an attitude towards China, the Japanese Government would be compelled to take suitable measures to prevent it."

Much publicity has also been given to a "secret treaty" between China and the United States calling for our aid in establishing air bases on the South China coast and the furnishing of airplanes and other military equipment to China. The original report was very detailed, even giving the number of articles included in the treaty. Needless to say the denial from Washington of any such arrangement was not given the space of the original announcement.

In this connection the Japanese have published a list of debts owed Japan by China with an unofficial statement to the effect that if China offers securities of Japanese loans for new loans for the purpose of resistance against Japan, Japan would demand payment of her loans and in case of non-payment by China the seizure of Chinese telephone and telegraph offices

all over China is being considered by the military authorities of the Kwantung army. While such a statement is no doubt only a threat at this time, there is no doubt but that when her position in Manchuria is consolidated, and the Russian Bear hobbled or appeased, concrete action will be taken to acquire more Chinese territory. If any excuse should be needed at the moment the unpaid loans might suffice. There is also the possibility for Japan, should world conditions make it necessary, of bargaining with China for Jehol or other territory in exchange for China's unpaid political loans.

8. Chinese Eastern Railway Complications.

The Tokyo Conference continues to drag on with no untoward sign of an amicable settlement for the purchase of the railway by "Manchoukuo". It is understood that the Soviet delegation has intimated its willingness to accept fifty million roubles less than the original asking price but this leaves a difference of some one hundred fifty million between their offer and the "Manchoukuo" bid.

On August 9th comes a report that the Soviet delegate, Kozlovsky, finally asked pointblank whether or not fifty million yen was the maximum "Manchoukuo" was willing to pay. He was informed by Mr. Ohashi (Japanese), "Manchoukuo" Vice-Minister of Foreign Affairs, that this matter must be referred to Hsinking (Changchun) and further announced that should no higher bid be authorized he might be compelled to suggest the closing of the conference as further discussion would be futile. In typical Oriental style the Russians asked for the continuation of unofficial meetings, no doubt being willing to bargain further.

During the entire conference it has seemingly been the policy of the Japanese to force annoying incidents between "Manchoukuo" and Russia. As a recent example, on July 28th "Manchoukuo" frontier guards surrounded a Soviet train on the Ussuri Railway near Pogranitchnaya on the pretext that Soviet citizens had boarded the train without proper passport and customs examination. Later the train was released but the Russian passengers were held for further examination as they had no travel papers. Then on August 9th the South Manchuria Railway Company notified the Chinese Eastern Railway Administration that they had abrogated the refunding agreement concluded at Changchun in 1922. This agreement was designed to avert traffic competition between the S.M.R. and the C.E.R. A like agreement between the S.M.R. and the Ussuri Railway has also been renounced.

There can be no doubt that the Japanese policy has been to harass the Soviets as much as possible into a settlement which will be most favorable to "Manchoukuo" and so to Japan's aims. Russia seems unwilling just at this time to provoke Japan and so Japan becomes more daring, resulting in a stiffening of the "Manchoukuo" attitude. How far this will go is a question which only the future can decide, - perhaps a crisis may soon be reached when the much talked of "mediation" by Japan will be required!

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No. 8638 1st Ind. WSD:elh

Office of the Military Attache, American Legation, Peiping, China, August 10, 1933 - To: Chief, Military Intelligence Division, Washington, D. C.

Forwarded.

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COMMENTS ON CURRENT EVENTS

August 10 - 24, 1933

1. Retrocession and Japanese Policy
2. The Flood Threats
3. Manchurian Economic Conference
4. The New French Islands
5. Feng Steps Down
6. The Anti-War Conference
7. Canton Opposes Kuomintang Conference
8. C. E. R. Conference Lags
9. New State in Manchuria?
10. Japanese Naval Maneuvers
11. Lo Wen-kan's Mission to the Northwest

1. Retrocession and Japanese Policy.

Retrocession of the districts of Hopei occupied by the Japanese army is progressing more slowly. As a result of the railway conference at Mukden, attendance at which was virtually forced on the Chinese representatives (see G-2 Report No. 8638), through railway traffic from Peiping and Tientsin to Shanhaikwan has been re-established on the Peining-Liaoning Railway.

Despite newspaper reports to the contrary, Japanese troops are still maintained along the railway in larger detachments than the situation would seem to demand. The walled city of Shanhaikwan is as yet under Japanese control. The general impression is that the Japanese while outwardly proclaiming their evacuation are actually keeping their hands on affairs, though of course in a much more indirect manner than formerly. In this connection it is interesting to note that the Japanese press has been lauding the Chinese compliance with the terms of the Tangku truce. Following upon their recent pronouncements that give the Chinese credit for nothing but trickery and false promises these eulogistic statements are most amusing.

However, if looked at in the light of a changed method of Japanese procedure, these events are more understandable. Not that any change in Japanese intentions is to be expected, but it is believed that the Japanese are convinced that just now they can accomplish their mission better by more subtle means. This is evidenced by the transfer of three of their "strong arm" men away from Peiping. The first of these was Colonel Aihara, Commandant of the Japanese Guard, who had trucks ready with men and machine guns to rush into the city to rescue any luckless Japanese flier whose plane might be forced down during recent hostilities. This was planned notwithstanding the fact that action of a legation guard under such conditions would be quite out of place. Then there was Lieutenant-Colonel Nagatsu, the Military Attache, whose actions pressing for Japanese aggression in North China almost succeeded in bringing about still larger military operations with promotion for him. Last but not least of this trio was

Captain Watanabe, one of Nagatsu's assistants. A large man, trained in Germany and nearly always dressed in Chinese clothes, he invariably carried a black-jack up his sleeve. The two colonels have been transferred away from China but Watanabe is now "resident officer" in Kiukiang where no doubt he will be heard of later.

2. The Flood Threats.

Due to the heavy rains, lack of reforestation and proper river conservancy, Central China is again at the mercy of the high waters of the Yangtze and Yellow Rivers. Many districts have been flooded and reports were rife that the Yellow River might change its course again. Railway traffic on the Peiping-Hankow line was suspended due to fear that the Yellow River bridge would be washed away.

Foreign engineers whose business it is to work with river conservancy and famine relief state that the condition along these two great rivers is no worse than normal for this time of year. It now appears that the worst is over. Railway traffic has been resumed to Hankow and a general fall of the Yangtze is reported by the Yangtze River Conservancy Board. The Yellow River districts however are still suffering considerably.

3. Manchurian Economic Conference.

Four hundred delegates, both Japanese and "Manchu", are meeting in Dairen to discuss the agricultural problem forced on Manchuria by the reduced buying power of foreign consumers, tariff barriers, Chinese boycott and the competition of chemical fertilizer in places which have formerly depended on soya bean and its derivatives to enrich the soil.

Other matters which have been discussed unofficially and which may later become official conference subjects are the national monopoly of export farm produce, reduced rates for carriage of beans to the seaboard, stimulation of domestic markets and a Manchurian bean pool like the Canadian wheat pools.

Lieutenant-General Kuniaki Koiso, Chief of Staff of the Kwantung Army, delivered the opening address. Koiso is known to have been the brains of the Kwantung Army when Muto was in command and it seems reasonable to suppose he will continue as such or be replaced by someone else should the new commander, General Takashi Hishikari, prove to be a strong man.

General Koiso's speech was of a propagandist nature and would have done credit to any political band-wagon. Of particular interest were his flashes of fighting fervor, when he spoke of "persons of insular minds" who would block the economic advancement in this country by crying that the existing economic structure of Japan must not be altered in any manner for the sake of Manchoukuo. He also decried those who talked idly to the effect that "soldiers are running the country".

Unquestionably this speech and others at the conference are largely for foreign consumption. Certainly the brain of a man like Koiso cannot but realize the untruth of such statements and even the Chinese - now called Manchus - who

attend the conference either through fear of consequences or hope of monetary profit can hardly be expected to miss their fallacy.

There should be no doubt in the mind of any sane, impartial observer that Japan is committed up to the hilt in her Manchurian venture. Whether at the outset she deliberately went after the occupation of China's three eastern provinces and Jehol as part of a General Staff plan or whether the taking proved so easy that an originally smaller conquest was carried to its present consummation is beside the issue. Japan has swallowed Manchuria and Jehol, hook, line and sinker, and she will rise or fall according to her ability to digest this enormous mouthful. Should be succeed, her domination of the Far East and possibly more of the world is assured. Should she fail or be absorbed by China, a not unlikely outcome viewed in the light of what has happened to every nation which has conquered Chinese territory, it will mean the finale of one of the world's greatest experiments in conquest, - and the rising sun of Japan will sink into insignificance.

4. <u>The New French Islands</u>.

Press despatches from Tokyo indicate that the coral islands recently occupied by the French (see G-2 Report No. 8638) have been causing the Japanese no little concern. It is said that the Japanese Charge d'Affaires in Paris has presented an "explanatory communication" to the French Government objecting to French occupation of these islands.

The French authorities in the Far East are endeavoring to belittle the affair and the French Military Attache to China gave an interview to the press in which he referred to the affair as a "tempest in a teapot" and called attention to the fact that the so-called islands were really small coral groups of no particular value but a menace to navigation as long as they remained uncharted.

The Chinese Government has been informed by the French Legation that the occupied islands are not the Sisha Islands claimed by China but are actually some 350 miles distant from this particular Chinese territory. Chinese sources state that the islands in question are known as the Tizard Bank and are some 200 nautical miles southwest of Palawan in the Philippine group.

5. <u>Feng Steps Down</u>.

Following closely on the last telegram in which he announced the return of all political and military affairs in Chahar to control of the National Government (see G-2 Report No. 8638), Feng Yu-hsiang left Kalgan on August 14th. He was accompanied by Sung Che-yuan, his former subordinate and now successor to power in Chahar. The train was switched around Peiping and did not enter the city but a large delegation, including a representative of General Ho Ying-chin and gentlemen of the Chinese press, went to the Hsichihmen station to greet the retiring general. When greeted by the newspaper men,

Feng offered the information that during his sojourn in Chahar he had always declared that he would not engage in civil strife but would work only for the recovery of the lost territory and protection of the people. This was a purely face-saving speech and considered the proper thing to do under the circumstances.

The special train carrying Feng and his bodyguard then proceeded on to Tsinanfu, Shantung, where it was met by General Han Fu-chu, Chairman of Shantung and another of Feng's former regimental commanders of the old 1926 Kuominchun. It is understood that Feng intends to live near Taishan, the sacred mountain in Shantung, and spend his spare time in study, all of which is traditionally proper for a Chinese official who "retires" under such circumstances.

Just what inducements were offered Feng and what factors influenced him other than expediency are not known at this time. The Japanese were ready to attack him in Chahar and would have done so sooner had it not been for the bad condition of the roads in Chahar and Jehol. Promises of aid from Canton proved empty and it is believed that Feng saw the handwriting on the Wall and accepted whatever financial settlement the Central Government offered. Guarded closely by his old regimental commanders, Sung and Han, Feng once more did the unexpected and stepped gracefully down from his high horse in Chahar.

Having accomplished a pleasing exit he can now live in peace, comparative luxury and safety on Shantung's sacred mountain and watch for another opportunity to appear on the stage of Chinese politics. From the point of view of a military man Feng has extricated himself from a very tight place and once more regained freedom of action. A man of considerable organizing ability, he lacks the steadfastness of purpose and the stability necessary to greatness. The Chinese admit his capability but are loath to trust him. It is regrettable that his talents cannot be used but it is believed that his value in China has reached a minimum at this time. Nanking has made him offers of various high sounding posts such as Director of Reforestation, and Sun Fo, Chairman of the Legislative Yuan, has just paid Feng a visit in Shantung, no doubt to offer him a post and most likely to convey to Feng in some quite concrete manner the Nanking Government's appreciation of his departure from Chahar.

6. <u>The Anti-War Conference</u>.

The Anti-War Conference scheduled to have been held in Shanghai has not yet convened. Some of the delegates, including Lord Marley from Great Britain, arrived in Shanghai but encountered great difficulty in securing a place to meet.

Lord Marley sailed for Japan with the Belgian delegate in an effort to induce delegates from Japan to attend. They were only allowed to land in Japan after giving assurances that they would catch the first steamer back to Shanghai.

The most prominent delegate, Lord Marley, whose name is Dudley Leigh Aman, is a former officer of the British Navy who retired in 1930 at his own request in order to devote his time to the Labour Party. He was made a peer in 1930 and served as Under-Secretary for War in the Labour Government in 1930 and 1931.

China is quite loath to receive Lord Marley and other Anti-War delegates and is dealing harshly with Chinese who are interested in the movement. The delegates supposed to have been sent from Peiping were arrested with their families by the special military police of the Nanking Government and deported bag and baggage from the city on the night of August 19th. Each one was trussed up with rope and led to a waiting train by another rope fastened to the arm of a soldier. It has not been possible to ascertain their fate and the guards refused to answer any questions or even to state who the people were.

7. Canton Opposes the Kuomintang Conference.

Telegrams from Canton state that twenty members of the Central Executive Committee in Canton, including Hsiao Fu-chen, Tang Shao-i and Teng Chih-ju, have wired Central Party Headquarters in Nanking in opposition to the convocation of the Fifth Plenary Session of the Kuomintang Committees in Nanking next November.

In view of the fact that the chief mission of this session is supposed to be to discuss whether the next National Party Congress should consider the ending of the period of political tutelage and the introduction of constitutional government, the attitude of the Canton leaders is considered by many of the Chinese as tantamount to their opposition to the abolition of party dictatorship. The Canton faction instead of attending the conference and offering their arguments for vote are seeking to prevent the calling of the Fifty Plenary Session. It is unfortunate that their efforts cannot be devoted to construction instead of destruction, particularly at this time of China's existence when cooperation by the South would mean so much to the country.

8. C.E.R. Conference Lags.

Unofficial meetings and informal discussions have apparently kept alive the fast failing Chinese Eastern Railway Conference in Tokyo (see G-2 Report No. 8638). From unofficial sources it is learned that the conversations between Mr. Kazlovsky and Mr. Ohashi (Japanese, representing "Manchoukuo") will consider the question of the exchange rate of the rouble in order to narrow down the margin between the Soviet sale offer of 200,000,000 roubles and the "Manchoukuo" offer of 50,000,000 yen to purchase the line. Japanese sources state that they expect the rate may be worked out but that the "Manchoukuo" delegation is in no hurry to hasten the conclusion of the conference.

9. New State in Manchuria?

Great newspaper publicity has lately been given to the formation of the "East China Republic" which is supposed to have been organized in eastern Manchuria by Chinese volunteers

and the old Kirin and Heilungchiang troops with a Chinese named Ho as its chief executive. While dissatisfied factions are rife in Manchuria, it is not believed that a movement of any such magnitude as the press would have us believe is under way. No information, official or otherwise, has been received which will substantiate the newspaper claims to fame of the new republic.

10. Japanese Naval Maneuvers.

Speculation has been rampant and there have been many shakings of the Tanaka Memorial skeleton by the Chinese incident to the extensive Japanese naval maneuvers now taking place in the area extending from the Kuriles to Formosa, including the Mandated Islands. According to press notices from Japan the exercises are centered on the Bonin Islands with the First, Second and Third Japanese Battle Fleets engaged, totalling over fifty vessels of all classes.

In this maneuver Admiral Suetsugu is supposed to be attacking from the Northern Pacific towards Japan, and Admiral Kobayashi has the task of commanding the defense force based on the Bonins. It is also reported that plans for "enveloping the Philippines and blocading the China coast are also being worked out theoretically". This last report if true, and it is considered most probable, marks a step which is believed new in Japanese naval plans. In view of the present policy of the United States in being willing to grant independence to the Philippines, the Japanese no doubt feel justified in assuming that the United States would not go to any great lengths in defending her position in these islands. This no doubt has given impetus to Japanese aspirations for their eventual control.

11. Lo Wen-kan's Mission to the Northwest.

Dr. Lo Wen-kan, Minister of Foreign Affairs and concurrently Minister of Justice, has announced his intention of visiting Shensi, Kansu and Sinkiang the end of this month.

Dr. Lo announced that his reasons for making this trip were to inspect judicial conditions with special attention to the administration of criminal law and to investigate the commercial relations between Sinkiang and Soviet Russia. It is believed that the latter is the real governmental reason for Lo's trip in view of the present conditions in Sinkiang and his recent discussions with M. Bogomoloff, the Soviet Ambassador, with reference to a China-Soviet non-aggression pact. During the absence of Dr. Lo the government has announced that Wang Ching-wei, President of the Executive Yuan, will temporarily take the portfolio of foreign affairs.

Chinese gossip has rumored that Lo Wen-kan has resigned and while nothing authentic has been published it is generally believed in Chinese official circles that Lo will not resume his post in the Ministry of Foreign Affairs. It is thought that his Sinkiamg trip is a gradual step to a final resignation from office, as it is known that he has not been in full agreement with the present policy of the Nanking Government which seems to be to refrain from further antagonizing Japan.

S. V. Constant.

S. V. Constant
Major, Cavalry
Assistant Military Attache

No. 8643 1st Ind. WSD:elh

Office of the Military Attache, American Legation, Peiping, China, August 24, 1933 - To: Chief, Military Intelligence Division, Washington, D. C.

Forwarded.

W. S. Drysdale

W. S. Drysdale
Lieutenant-Colonel, Infantry
Military Attache

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COMMENTS ON CURRENT EVENTS

August 25 - September 7, 1933.

RECEIVED G/2 W. D. OCT 3 1933

1. Japan's Policies in China
2. Retrocession of Occupied Areas
3. Return of T. V. Soong
4. Changes in Ministry of Foreign Affairs
5. Chinese Eastern Railway Conference
6. Canton Opposes Chiang Kai-shek
7. Yellow River in Flood

1. Japan's Policies in China.

Tokyo's opposition to the Chinese efforts to secure assistance from the League of Nations or the United States, or from any non-Japanese source, has become increasingly noticeable. From the beginning of the negotiations implementing the truce agreement in North China, Japanese officials have voiced their displeasure at any action on the part of the Chinese Government seeking assistance except through Japanese sources. Shortly after the retrocession commissions were appointed the $50,000,000.00 cotton and wheat loan was announced. The local Japanese military commander thereupon threatened the Chinese members of the commission that should China continue to seek assistance from the United States then the Japanese military could not evacuate Miyun and other important localities south of the Great Wall. Upon announcement of the appointment of Dr. L. L. Rajchman, Polish director of the health department of the League of Nations, as an adviser to China to co-ordinate the activities of all the foreign technical experts, a veritable storm of Japanese propaganda in opposition to such a policy followed.

Japanese spokesmen have bluntly stated that "Japan cannot view with equanimity foreign cooperation in the task of bringing order out of chaos in China". While this subject was mentioned in "Comments on Current Events" dated August 10, 1933 (No. 8638), the continuance of the Japanese threats and propaganda and Chinese reactions to such a policy seem to justify further comment on this subject. Japanese spokesmen warn that "should the powers continue to assist China, Japan will be constrained to take such measures as she sees fit to stop it". There seems to be a determination on the part of the Japanese to compel the Chinese to submit to a measure of Japanese supervision and to "cooperate" with Japan in improving conditions in China. It is obvious that, treaties to the contrary, the Japanese have reverted to the policy of the times of the Nishihara loans and are determined to bend the Chinese to their will by bribery, by political intrigues, or by force. Mr. Yano, Counselor of the Japanese Legation, is reported to have offered a Japanese loan of $80,000,000 "after a certain time" and to have suggested that Japanese assistance against the Reds in Fukien could be had. In this connection see confidential report No. 8650.

Chinese are naturally resentful of such a policy but many Chinese officials are inclined to agree to Japanese terms in the belief that no assistance can be expected from abroad and that to resist the Japanese would incur further penalties.

Comment in the Chinese newspapers has been considerable and invariably resentful of Japanese actions. Chinese press statements that are significant and typical are to the effect that "Japan's attitude shows a wanton disregard for China as an independent state, betrays Tokyo's ambitions to dominate this country and causes more spiritual distress to the Chinese people than the armed occupation of the Four Northeastern Provinces"; "Japan now is openly interfering in the purely domestic affairs of China"; "Japan considers herself the mistress of the Far East and she regards China as her special preserve"; "Japan intends to overthrow the American and European diplomacy in the Far East and to establish an 'Asiatic Monroe Doctrine'"; "Japan's policy is a notice to the world that Japanese militarists are bent on driving all American and European influences from China"; "Tokyo wants China to be exploited only by Japan but that China despite her present disorganized state is determined to proceed with the task of modernization and development and that China is awakened to the dangers of national extinction and is determined to build a strong and united nation".

Whatever the outcome and whatever the means employed, Japan's policy may be considered a definite bid for the military, political and economic hegemony of Eastern Asia. Already, by means of direct military conquest, she has attained control over Manchuria and has extended her sphere of influence well south of the Great Wall. Many well informed and intelligent foreigners predict that within a few years that influence will be indirectly though effectively exerted at Nanking.

2. Retrocession of Occupied Areas.

One by one the various districts north of the Tangku truce line have been taken over by the Chinese but Japanese troops remain at Miyun and vicinity, at Nantienmen, at Tongshan, and other important points along the railway between Tientsin and Shanhaikwan. There are no reports mentioning the withdrawal or the immediate prospects of withdrawal of these troops who are completely dominating the official actions of the newly appointed magistrates who have recently "taken over" for the Chinese. "Manchoukuo" or former "Manchoukuo" troops remain in the retroceded areas and the police forces of General Li Chi-chun and Shih Yu-san (both Japanese supporters) are now established at Yungping and Yutien, respectively.

The Chinese are forbidden under the terms of the armistice from moving troops north of Lutai and in consequence the districts just south of the Wall are filling with "disbanded" Manchoukuo soldiers, roving groups of "volunteers" and the dregs and riff-raff from surrounding areas. The result is a dangerous increase of banditry in the receded areas and a situation that may at any time be developed into a "justification" for further Japanese military actions should Kwantung army officials consider that China's policy after the return of T. V. Soong is not sufficiently friendly to Japan.

3. Return of T. V. Soong.

Mr. T. V. Soong arrived at Shanghai on August 29th from the United States and was greeted as a returning hero by the Chinese. Delegations of all sorts met his steamer and Chinese aircraft circled overhead dropping messages of welcome.

The Japanese and many Chinese consider Mr. Soong the leader of a very powerful group that supports the policy of "resistance to the bitter end" and numerous discussions even in regard to the retrocession of the Luantung area await the outcome of conferences to convene immediately after Mr. Soong's return.

As this report is being written Mr. Soong is attending a conference at Kuling where he, Chiang Kai-shek, Wang Ching-wei and important leaders of the Nanking Government are discussing the situation and will no doubt make important decisions of policy. General Huang Fu, the Chairman of the Peiping Political Affairs Readjustment Committee, and General Yü Hsueh-chung, the chairman of the retrocession committee, have already had lengthy interviews with Mr. Soong. The progress of the retrocession no doubt awaits important decisions made at these conferences.

4. Changes in Ministry of Foreign Affairs.

Dr. Lo Wen-kan, the Minister of Foreign Affairs, educated in England (law), has departed by Eurasian airplane for Chinese Turkestan. Mr. Wang Ching-wei has taken over the duties temporarily of Minister of Foreign Affairs and it is reported that Dr. Lo's resignation will be accepted.

Mr. Tang Yu-jen, Secretary General of the Central Political Council, a henchman of Mr. Wang Ching-wei, has been appointed the administrative Vice-Minister of Foreign Affairs to replace Vice-Minister Liu Chung-chieh. These changes seem to indicate that those officials who advocated continued resistance to the Japanese and opposed the truce agreement are being removed and substitutes appointed who are in accord with the present policy of non-resistance.

5. Chinese Eastern Railway Conference.

The resumption of the conference regarding "Manchoukuo" purchase of the C.E.R. is expected upon the arrival from Moscow of Mr. Darnishkoff, a member of the Central Bank of Soviet Russia. Mr. Darnishkoff is expected to assist in determining the rate of exchange to be used in computing the Yen value of the railway. From present appearances the 50,000,000 Yen offer by "Manchoukuo", normally an absurdly small price for the railway, will be rejected by the Soviets. Meanwhile, "Manchoukuo" has annulled certain agreements concerning excess payment for through freight to the Chinese Eastern which action the Soviet declares is intended to make the railway less profitable.

6. Canton Opposes Chiang Kai-shek.

The departure from Canton of Hu Han-min, Eugene Chen and certain other officials for Hongkong and a conference there with Northern officials, would seem to indicate that all is not well within the ranks of the Southwestern Political Council and that an open rupture with Nanking is less likely. Some months ago the Cantonese were sponsoring an organization including prominent military leaders in the North. This organization was directed especially against General Chiang Kai-shek and for a time bid fair to precipitate a civil war of

major proportions. Chiang Kai-shek's clever political maneuvering has seemingly reduced the opposition which so far as Canton is concerned is practically dependent upon the support of General Chen Chi-tang, the Chairman at Canton, who is for reasons of political expediency unwilling to lead a movement against Nanking.

In so far as Canton's opposition to the forthcoming National Kuomintang Congress is concerned, it appears that while the opposition is not so vociferous at present there is no reason to believe at this writing that Cantonese delegates will attend even though the conference is called.

7. Yellow River in Flood.

Reports from Chinese magistrates and provincial officials, supported by evidence of foreigners personally inspecting the flooded areas, indicate that flood conditions continue along the Yellow River in northeastern Honan and western Shantung, that more dykes have broken, and that large areas are inundated. Conservative estimates report over one million people have been driven from their homes and that some thousands have been drowned.

Appeals have been made by provincial and national authorities for assistance and relief work has been organized. The American Red Cross, responding to an appeal from the American Minister, has contributed $50,000.00 local currency for relief.

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COMMENTS ON CURRENT EVENTS

September 8 - 21, 1933

1. Chinese-Japanese Relations
2. Pending Chinese-Soviet Negotiations
3. American Cotton and Wheat Loan
4. C. E. R. Negotiations
5. Miscellaneous

RECEIVED G/2 W. D. OCT 16 1933

1. Chinese-Japanese Relations.

The subject of the greatest immediate interest to both Chinese and foreigners is the development of the Japanese policy toward China and the results that such a policy may have on Chinese and foreign interests. While this subject has been mentioned in previous "Comments", it is of such paramount interest that additional comments are submitted even at the expense of a possible repetition.

Mr. Huang Fu, a former minister of foreign affairs for the Nationalist Government and the present chairman of the Peiping Political Affairs Readjustment Commission, is the individual on whom the Japanese are relying to support their contention that China and Japan must "co-operate" for their mutual benefit, that to resist Japan would be futile and occasion a greater loss to China, that accepting Japanese support will advance China's interests but that accepting assistance from other sources will unnecessarily antagonize Japan and would therefore be undesirable. It is this policy that is at present being applied to the solution of the many pressing Sino-Japanese problems in North China, not only with respect to the "retrocession areas" but to Chinese-Japanese relations in Peiping and Tientsin as well. As an indication of this policy, two Japanese "advisers" (one known to be a Japanese army officer) are retained at the headquarters of the Political Affairs Readjustment Commission, and one Japanese adviser is retained at the headquarters of the Mayor of Peiping. It is quite possible that other advisers are retained at other key positions but definite information is lacking except as to the ones mentioned. It is obvious the effect these advisers will have on decisions made and policies formed. While such advisers would not be able to bring a determining pressure on the headquarters to which they are attached, as is the case in "Manchoukuo", their position enables the Japanese to be promptly informed of decisions made and to bring the necessary pressure to safeguard important Japanese projects.

The Chinese post office officials at Kupeikow, south of the Great Wall, have been removed and Japanese post officials installed at that place. Japanese army contingents numbering about 100 remain at Miyun, and the Kupeikow-Miyun area is virtually under their control. Chinese press releases to the effect that the retrocession commission is now negotiating for the return of the passes in the Great Wall and of the walled city of Shanhaikwan may be taken as mere face-saving gestures. The 14th Japanese Mixed Brigade continues to occupy

Shanhaikwan and important passes directly to the west. The formal raising of the Manchoukuo flags over the police and other government buildings at Shanhaikwan on September 18th, the anniversary of the Mukden incident, no doubt spells the doom of Chinese hopes for the recovery of the city.

That Huang Fu is playing the game to the satisfaction of the Japanese is evidenced by Japanese press releases to the effect that "so long as the Nanking Government adopts his (Huang Fu's) policy toward Japan the situation in North China will not be aggravated". "If Chiang Kai-shek and T. V. Soong really support Huang Fu, and are inclined to pave the way for future prosperity, the Sino-Japanese conflict will close happily through direct negotiations."

Significant however is the additional warning published by the Japanese Information Bureau on September 12th in their bulletin No. 540. It warns against the intervention of a third party (no doubt the United States is intended) and to quote verbatim: "There is another thing, however, to be carefully watched, viz., intervention from a third party. There is no doubt that the friendly relations between Japan and China will result in benefit to both countries, but if any third party who is ambitious wishes to drive a wedge between them in order to satisfy her own selfish purposes, such country probably does not want to see Japan and China recover their former friendly relations. Under such circumstances, if the Chinese authorities really have the courage not to be tempted by such intrigue on the part of a third party, an optimistic future is the outlook."

In this connection there are persistent reports that the policy of the Nanking Government has been changed and that during the conferences at Kuling, reported in our No. 8651, the Chinese leaders agreed on the necessity for improving their relations with Japan. Any statement by Chinese officers as to such change are extremely difficult to get and an open admission or acknowledgment by any Chinese official that the government intended to "recognize Manchoukuo" or "open direct negotiations with the Japanese" or were even planning to cease resisting the Japanese would be met by a storm of protest by the official opposition who would take advantage of public opinion in order to discredit the administration at Nanking.

As indicative of Chinese policy, the following statements are quoted from Mr. T. V. Soong, who expresses the hope that "after having gone through such trials, the different elements in China will at last sink their differences and set themselves to the task of national economic reconstruction in collaboration with the outside world, so that China will secure her rightful place in the family of nations".

Mr. Wang Ching-wei states that "the entire nation must itself awake to the painful realization not only of China's weakness but also its present position as a victim of aggression". "It behooves us now to consolidate the strength of the people and develop their productive power in order to achieve our immediate objective - that of self-salvation and

self-preservation." Mr. Wang specifically advises against dependence on an air force in the belief that China could not profit by that means. He says, "It is said that if we could build up a fleet of 3,000 airplanes we could avenge our wrongs. This is idle talk. What if we find that others have 4,000 or 5,000 planes after we have got our 3,000?" Mr. Wang is a strong advocate of reducing the power of the militarists and this statement is what may be expected from him in view of his quite natural belief that military strength would add to the power of his political opponents and reduce his own political expectations.

Chiang Tso-pin, Chinese Minister to Tokyo, at present at Nanking, states that Chinese policy is directed at "preserving the Chinese race and maintaining Chinese sovereignty".

Dr. Chang Po-ling, the well known president of Nankai University at Tientsin and a member of the Political Council, stated in reply to a question by the Military Attache that Chinese policy should now be "non-provocative" to Japan. That would seem to be the typical Chinese method of expressing the change. The Military Attache is inclined to the belief that except for Huang Fu and a few of his immediate subordinates, the policy of the Nanking Government has been changed but very little. The responsible officials are in complete accord that further "resistance" to Japan would be futile but they nevertheless are determined to secure such assistance from abroad as seems advisable and profitable to China to the limit of Japan's acquiescence, and it is believed that efforts will be made to prevent the advance of Japanese influence southward. The Chinese hope that in the years to come they will be able to build up a more powerful defense against Japan. The Chinese have no doubt been pressed to open direct and official negotiations for the recognition of "Manchoukuo" but such negotiations do not seem to be a probability in the near future. Another "urgent" meeting of the National Government Council began at Nanking on September 18th. Mr. Wang Ching-wei and Mr. T. V. Soong were present. Mr. Chiang Tso-pin also participated in the deliberations, and Mr. H. H. Kung left Shanghai that same day to attend later meetings. The proceedings are kept a secret but it is believed that the situation in North China and the Sino-Japanese dispute were discussed.

2. <u>Pending Chinese-Soviet Negotiations</u>.

Press despatches report the arrival of Dr. Lo Wen-kan, Chinese Minister of Foreign Affairs, at Tacheng on the border of Russian Turkestan (Tahcheng in inset on Postal Map of China). An official attached to the Chinese Political Council at Peiping confirms the report that Dr. Lo expects to meet Dr. W. W. Yen, Chinese Ambassador to Moscow, at this place. Dr. Yen is reported as having left Moscow on September 15th en route to Tacheng to meet Dr. Lo. It may be considered as unlikely that such important personalities as Drs. Lo and Yen should undertake such a difficult and fatiguing journey as the one to Russian Turkestan unless some important subject was under consideration. It is the belief here that negotiations are in prospect or being conducted regarding some important Chinese-Soviet project, possibly a non-aggression pact, boundary delimitation, or discussions of the troublous situation on the Chinese-Russian Turkestan frontier.

Chinese interest in Turkestan is further evidenced by statements that railway construction to that area is being considered. Mr. Sven Hedin, the noted Swedish explorer, has been retained as an adviser on road construction in connection with this project.

Dr. V. K. Ting, a former mayor of Shanghai and a prominent Chinese intellectual and politician, is now traveling in Russia allegedly at the request of the Soviets to study their mineral industries.

3. American Cotton and Wheat Loan.

Mr. T. V. Soong stated to the press on September 18th that although he had had several conferences with leading industrialists and cotton mill owners, nothing definite had been decided upon concerning the method of sale of American cotton and wheat. Mr. Soong's statement would seem to indicate that the disposal of the American loan would be a matter of concern of the National Economic Council, which in turn would act through an organ to be established for the custody of the loan proceeds. The personnel of the organ had not as yet been settled.

The National Economic Council is being enlarged and is expected to be in charge of a standing committee of three, consisting of Wang Ching-wei, Sun Fo and T. V. Soong.

4. C.E.R. Negotiations.

The negotiations for the purchase (seizure) of the Chinese Eastern Railway were resumed after the arrival of Mr. Darnishkoff, and it seems that Manchoukuo's bid was upped by an indefinite statement that from fifteen to twenty million yen might be added to the original offer of fifty million. This the Soviet side has refused. The negotiations seem to be again at a stalemate with Manchoukuo threatening to seize all Russian rolling stock coming from Pogranitchanaya.

5. Miscellaneous.

There have been no important developments since the last report concerning Canton's opposition to Chiang Kai-shek or to the proposed National Kuomintang Congress. For developments in the communist campaign or in Chahar see Situation Report No. 8659.

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COMMENTS ON CURRENT EVENTS

September 22-October 6, 1933

RECEIVED G/2 W. D. NOV 7 1933

1. Nanking's Policy Towards Japan.
2. Situation in North China.
3. Canton and Nanking.
4. The Anti-War Conference.
5. Economic Conditions in Manchuria.
6. Chinese Eastern Railway Deadlock.
7. Sino-Swedish Expedition.

1. Nanking's Policy Towards Japan.

It is now quite evident that the preponderance of pressure from the officials holding the reins of the National Government is toward the adoption of a "non-provocative" policy vis-a-vis Japan. This should not be taken to mean that there is any abatement in the actual anti-Japanese feeling of individuals but a sober view arrived at by the realization of the impotence of China at this time and her inability to resist the armed forces of Japan which are threateningly held over China's bowed head. The Chinese are realists and facts impress them. Then they are unable to overcome the age-old dislike for an immediate and clear cut decision. This is brought out clearly by the motto recently placed in the Moral Endeavor Society building at the Central Military Academy at Nanking. A large map of China shows Manchuria and Jehol in black and beside it are two sentences alluding to a former Emperor who after losing his empire "slept on small sticks and tasted gall" so he would not forget his disgrace. It is significant, however, though not stated, that it was after ten years that the emperor went back and reconquered his territory.

When it is considered that the Moral Endeavor Society is the agency by which Chiang Kai-shek is striving to create an officer corps and keep alive the militant revolutionary spirit of his army, this from the Chinese viewpoint is more than merely significant, - it is indicative of a change from immediate opposition to Japan to a promised combat at some future date. To the Chinese this has sound legendary precedent but from our point of view the historical example of a Belgium has been converted into the pattern of an Alsace-Lorraine.

There is no doubt that immediate resistance to Japan has been put aside for the present and that the recent conference at Nanking (see G-2 Report No. 8660) and one which is now in progress at Kuling have evolved such a policy. At present the only outstandingly powerful leader who opposes making any concessions whatsoever to the Japanese is T. V. Soong, the leader of the "financial group" (see G-2 Report No. 8666), and in this particular, it is not believed he has the entire support of his party. Now that Lo Wen-kan has to all intents and purposes given up the portfolio of Foreign Affairs, Wang Ching-wei, a Tokyo law student, states that his policy will be

"not to give way to Japan on any important point". By this he covers a multitude of sins and places in his hands the chance to use the characteristic Chinese vade mecum - compromise.

In line with the establishment of better relations between Japan and China and no doubt as a result of the discussions at Kuling, Tang Yu-jen, Vice-Minister of Foreign Affairs, announced on September 23rd that General Chiang Tso-pin was expected to leave for Japan early in October to resume his post as Chinese Minister to Tokyo. At the same time he was most emphatic in his denials of press reports to the effect that direct negotiations between China and Japan were imminent! The following day General Chiang Tso-pin gave out a statement to the press to the effect that the Chinese Government would soon appoint a military attaché to its legation in Japan and that later similar posts would be established in other countries.

These facts and many others confirm a belief that the Japanese Government has decided to consolidate its position in Manchuria and Jehol, striving for an indirect control of the North China area through Huang Fu and the Peiping Branch Political Council until conditions warrant other measures. It is believed that the Nanking Government will have to acquiesce grudgingly in this pressure in the North and that this will be the Chinese policy vis-a-vis Japan, unless some internal political upheaval changes the personnel in Nanking or some "incident" takes place in North China to rouse the ire of the Japanese Army, in which event it may take action regardless of the more sober plans of its Government.

2. Situation in North China.

North China continues to be the sensitive area and the occupant of the seat on the proverbial powder keg has been given but little peace of mind during the past few weeks. Faced with the prospect of a lean winter in Chahar without Feng Yu-hsiang, General Fang Chen-wu, former chairman of Anhwei and sworn enemy of Chiang Kai-shek who once imprisoned him, borrowed the Christian General's title as commander of the "People's Anti-Japanese Allied Army" and announced his determination to save China. In addition to the necessity for securing more lucrative territory to support his troops and revenge against Chiang Kai-shek as reasons for Fang's rebellion is the report that Colonel Matsamura, the Japanese "liaison agent" in Jehol city, encouraged this move with considerable funds in order to create an "incident" for Japanese use. While there is no direct proof of this, the later actions of the Japanese are rather enlightening.

When Fang announced his intention of moving toward Peiping, the Japanese invoked the Tangku truce and stated that they would not tolerate this movement of troops into the demilitarized zone. This of course was not objected to by Ho Ying-chin and the amazing spectacle was created of the Japanese acting really as allies of the Central Government forces! Military operations to date have been negligible though Japanese bombing planes were used effectively.

Situations such as this would be incomprehensible should the observer fail to remember that China is still in a feudal stage and that "war lords" and "robber barons" such as Fang Chen-wu have their historical parallel in medieval Europe. Thus in China to-day we have touches of our present day civilization walking hand in hand with customs of the Middle Ages. Europe grew old together. In China we are watching medievalism clash with modernism.

Viewed also in the light of history, we have witnessed another conquest of a great part of China-by the Japanese-and the inevitable straining at the leash of the conqueror until he conquers all in sight or is absorbed by his very conquest. Thus we are seeing increased pressure by the Japanese to control North China and Japanese encouragement of Fang Chen-wu might logically be expected. The fact that Japan threatened to operate against Fang and actually did not wipe him out may quite likely mean that Colonel Matsamura's "incident" was not co-ordinated with his superior's plans or else that it was deliberately created to give the impression that Japan was willing to co-operate with the Nanking Government in supporting Huang Fu and other appointees favorable to Japan in North China.

In this connection it is very interesting to remember a report from "confidential" Japanese sources of an interview by General Okamura, giving certain supposedly verbal agreements in connection with the Tangku truce (see G-2 Report No. 8601). While the existence of verbal agreements was denied by both sides it is worthy of note that the main points were:

"1. Central Government troops are to be withdrawn from North China." This has been done except for some military police and other special units.

"2. Railway communication is to be restored to Shanhaikwan." This has been done.

"3. Trade relations are to be established and commercial traffic is to be resumed between North China and 'Manchoukuo' through the Great Wall passes." This has been done only to a negligible degree.

"4. Kuomintang activities are to be suppressed in North China." This has been done and anti-Japanese slogans have disappeared from walls and gates of cities in North China. Even in Nanking and Shanghai there is now little publicity given the anti-Japanese boycott.

"5. The Japanese are to refrain from encouraging any separatist movement in North China and are to support Huang Fu." This certainly appears to be the present policy of Japan, as noted elsewhere, and there is ample evidence of its continuance for the present.

Considering the "confidential" Japanese source, it is believed that the above terms were given out discreetly as being what the Japanese actually expected to accomplish and if this is the case they furnish an excellent estimate of the situation on the part of the Japanese.

As regards the present status of the Huang Fu regime, it is understood that an impasse was reached with Japan some weeks ago when Huang Fu went to Shanghai. His appointee, General Yu Chin-ho, another Tokyo Military Academy graduate, was strenuously objected to as Director of Public Safety in Peiping, and he was not receiving proper financial support from Nanking. Now however, as a result of recent conferences at Kuling, mentioned elsewhere, he returned to Peiping on October 4th apparently with a more free hand vis-a-vis Japan, and in the meantime the objections of former North-Eastern (Fengtien) Army men have been overcome and Yu directs the Public Safety Bureau in Peiping. The finance question was also settled as on arrival in Tientsin, Huang Fu gave out a press interview to the effect that an arrangement had been reached whereby the National Government would take over the financial administration of North China and be responsible for military expenses of that area to the extent of $4,500,000 silver every month.

It is significant that on his way to Peiping, Huang Fu went as far as Nanking with Wang Ching-wei and subsequently stopped in Taian to see Feng Yu-hsiang, in Tsinanfu to see Han Fu-chu, and also visited Keh Kwang-ting, Managing Director of the Kiaotsi Railway, and Admiral Shen Hung-lieh, Mayor of Tsingtao. Last but not least he had a conference in Tientsin with General Banzai, former Japanese adviser to the Chinese Government, Mr. Yano, the retiring Counselor of the Japanese Legation, and Colonel Kita of the Kwantung Army Headquarters. Also present in Tientsin during Huang Fu's stay were Chu Shih-chin, a representative of the Peiping Branch Military Council, and Colonel Shibayama, the Japanese Military Attache, who have been visiting Shanhaikwan in an effort to settle the matter of special guards to handle the bandit situation in the Luantung region (see G-2 Report No. 8667). According to latest available information it is learned that the Japanese objections were due to a "misunderstanding" and that an amicable settlement is anticipated.

3. Canton and Nanking.

Despite reports to the contrary, it seems quite certain that Canton will not make any active effort at this time to overthrow the Nanking Government. In fact it looks as though some agreement has been reached between the two factions. This is evidenced by a recent statement of Wang Ching-wei in his address to the weekly memorial meeting at Central Kuomintang Headquarters in Nanking on October 2nd, when he announced that in accordance with the decision of the meeting of the Central Executive Committee, the fifth National Kuomintang Congress would be postponed until next year and that the National People's Assembly was now scheduled to be held in July 1935. This of course is a concession to Canton, as the Fifth Plenary Session was supposed to have been held in November 1933.

It is therefore believed that some measures for co-operation of the Southwest authorities with the Central Government have been achieved as the result of the recent visit of Chen Li-fu and Chen Chi-cheng to Hongkong. Both these men are members of the C.E.C. in Nanking and their conferences

with representatives of General Chen Chi-tang, commander of the Kwangtung First Army, are significant. Should these indications bear fruit in some concrete form it will greatly strengthen the position of the National Government since the Southwestern Political Council has loudly voiced disapproval of nearly every constructive move of the Nanking regime, including the American cotton and wheat loan.

While it is the belief of this office that the Cantonese alone are not in a position militarily to oppose Nanking, yet the insidious and destructive propaganda at which the Chinese are past masters, and in some cases monetary gifts emanating from Canton, have hurt the prestige of the Central Government and actively aided such men as Feng Yu-hsiang in their opposition to unification.

A hopeful sign is the seeming co-operation of Chen Chi-tang against the communists (see G-2 Report No. 8667).

4. <u>The Anti-War Conference</u>.

The Anti-War Conference in Shanghai (see G-2 Report No. 8643) has as yet failed to convene and Lord Marley and other delegates have announced their intention of returning to Europe via Siberia in the near future. Lord Marley, who is quite a mild looking person and not the rabid type one might expect, states that he intends to visit a Jewish settlement at Birobidjan in Siberia. He consistently holds to a statement that the Anti-War Conference was intended to be entirely non-communistic, but the Chinese officials are not convinced of this and have evidence that communist agencies in Shanghai were planning to make use of this gathering to further their own ends. In view of the general situation in the Far East it is believed the Chinese authorities were very wise to oppose the holding of the Anti-War Conference in Shanghai.

5. <u>Economic Conditions in Manchuria</u>.

The Japanese anticipation of a bumper crop of grain and soya beans has proved correct and has shown the wisdom of the Manchurian Economic Conference (see G-2 Report No. 8643) held last August. Reports state that with a bumper crop of beans and a declining market the record low price since 1921 has been reached. As for the kaoliang and wheat, the forecast of a good harvest has depressed the local prices to a point where prevailing market quotations are stated to be lower than the cost of production.

"Manchu" farmers are protesting that the exportation of their products to China has been practically stopped and are asking the Board of Industry of the Fengtien Provincial Government for relief.

Another question demanding immediate action in Manchuria is the alarming spread of the pneumonic and bubonic plagues and also the breaking out of anthrax. Japanese medical units have been sent out and the handling of passengers and luggage at the following stations has been suspended: Heishui (directly south of Taonan), Hunghing and Shuangkang on the

Ssupingkai-Taonan line; Paishih, Aolo Monta Tahan and Talin on the Chengchiatun-Paiyintala section; Molitu, Weimenying and Pahuta on the Paiyintala-Tahushan line.

On the Tahushan-Paiyintala line, the handling of furs and hides has been stopped between Paiyintala and Changwu.

These problems are but two of the many which will try Japanese capabilities to the utmost in their effort to absorb Manchuria and Jehol, a territory approximately twice the size of the present Japanese Empire.

6. Chinese Eastern Railway Deadlock.

There has been no appreciable progress in the negotiations for purchase of the C.E.R. by "Manchoukuo", and in fact the situation does not look promising, one of the main stumbling blocks being the inability of the Soviet delegates to decide upon any proposal reference the exchange rate between the rouble and the yen. According to Japanese press reports, M. Yurenev visited Mr. Hirota, the new Japanese Foreign Minister, and requested him to mediate between the delegations with a view to hastening the successful completion of negotiations. Mr. Hirota is supposed to have refused but later to have had conferences with both M. Yurenev and Mr. Ohashi (Japanese), the "Manchoukuo" representative. This is the only ray of hope evidenced recently.

Meanwhile the Soviet Government appears to be taking a stronger stand against the Japanese-instigated efforts of "Manchoukuo" officials to hinder the operations of the railway. Russian sources state that on September 21st, M. Sokolnikov approached the Japanese Ambassador to Moscow, Mr. Ohta, with a statement to the effect that the Government of the U. S. S. R. considers the Japanese Government directly responsible for the intended actions of the "Manchoukuo" Government directed toward violation of the existing treaties with regard to the status of the C.E.R., and toward the seizure of the railway. A Tass despatch carries the statement as follows:

> "According to reliable information received by the Soviet Government, the Manchurian authorities under the direction of the Japanese Government intend to carry out in the nearest future unilaterally several changes in the administration of the Chinese Eastern Railway, absolutely violating the existing order; in particular, they intend to grossly violate the rights of the Soviet manager of the railway, making him actually dependent on his Manchurian assistant.
>
> "At the same time the Manchurian authorities under the direction of agents of the Japanese Government are planning a series of police measures against the Soviet employees of the Chinese Eastern Railway.
>
> "The Soviet Government authorized me to issue, on its behalf, a warning that the carrying into effect of such, or similar, measures in Harbin, violating the existing status of the railway, as established by treaties, will be considered by the Soviet Government as an action contradicting those obligations which Tokyo and Mukden Governments undertook, and will be qualified as an inadmissible attempt to seize the railway.

"The Soviet Government considers that the direct responsibility for these violations rests with the Japanese Government. Not the Manchoukuo which is powerless and incapable of bearing the responsibility for the events in Manchuria, but the Japanese Government which is the actual master in Manchuria, must bear the direct responsibility for all violations of existing treaties with regard to the Chinese Eastern Railway, as well as for the intended seizure of the railway."

Then on September 29th the United Press, which seems quite accurately informed on matters pertaining to Soviet Russia, carried a report to the effect that the Government of the Soviet Union had threatened that unless the Japanese abandon plans to seize the C.E.R. they would publish information "generally disclosing the methods the Japanese military authorities and the Japanese administration in Manchuria intended to follow during the next few months".

As the conference lags, Japanese papers are publishing reports of "an unending stream of war supplies, including field guns, flowing into Blagoveschensk", and that Soviet Troops equipped with gas masks are carrying out demonstration parades almost daily. General Kioso, the Chief of Staff, and really the brains of the Kwantung Army, who has just completed an inspection tour of Northern Manchuria, states that "Soviet is mobilizing powerful troops along the Northern border of "Manchoukuo" and building strong defense works. "Manchoukuo" should take measures to see that her rights are preserved and respected".

Once more in Manchuria we have the possibilities of another Russo-Japanese war which seems inevitable and merely dependent upon the readiness of the nations concerned and the estimate of each as to the most advantageous time to strike the first blow. It is not believed that Russia is prepared to fight a protracted war at this time, neither does it seem that Japan would choose just now to fight before completing a firmer consolidation in Manchuria. She will have to balance the value of waiting for the accomplishment of this against the disadvantages of allowing Russia more time for preparation.

7. <u>Sino-Swedish Expedition</u>.

Dr. Sven Hedin, the well known Swedish explorer, is expected to start on October 10th from Peiping on another expedition to the Northwest as far as Sinkiang. This latest Sino-Swedish expedition includes four Chinese members - one astronomer and three engineering experts on road building.

Dr. Hedin plans to spend the next eight or nine months making a comprehensive survey of the Northwest with especial attention to the possibilities of constructing a modern motor road or railway from Suiyuan to Sinkiang, a distance of some 500 miles. He plans to enter Sinkiang by a northern route and to return via Lanchow in Kansu Province.

With Manchuria and Jehol lost to China, at least for the present, the National Government is turning its attention to the long neglected project for development of the great stretches of territory to the northwest. Dr. Hedin and the other members of his expedition have been engaged by the Government to investigate the opening up of this vast area and $50,000 silver has been allotted towards defraying the expenses of the expedition.

This project of exploration has interesting possibilities vis-a-vis Sino-Soviet relations as has the trip of Lo Wen-kan, the Foreign Minister, to Tacheng and his intended meeting with Dr. W. W. Yen, the Chinese Ambassador to Moscow. It is also known that there is a plan on foot to make use of the former Fengtien military clique in expansion of the Northwest (see G-2 Report No. 8666).

Dr. Hedin has not always been on such good terms with the Chinese Government with reference to his expeditions, and in 1927 was rather persona non grata with the Chinese (see confidential letter from this office No. 6094 dated March 18, 1927).

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Lieutenant-Colonel, Infantry
Military Attache

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COMMENTS ON CURRENT EVENTS

October 6 - 26, 1933

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1. The National Government.
2. Mongolia Seeks Autonomy.
3. French Loans for Manchuria?
4. Chinese Eastern Railway.
5. Oil for Japan.
6. National Athletic Meet.
7. Shanghai Civic Center.
8. National Economic Council.
9. Sino-Swedish Expedition.

1. The National Government.

In the last few weeks the Nanking Government has been doing very little talking but has been striving hard to make some progress on the political wood pile. Even T. V. Soong, returning from abroad with the American Wheat and Cotton Loan to his credit, has had very little to say. There has been a sort of cleaning up of the governmental house going on which has been hampered on all sides by the Japanese who persist in tracking up each part again after it has been freshly scrubbed.

The greatest pressure being brought against T. V. Soong just now is the question of the tariff on Japanese goods which that country is working to have lowered. No decision has been given out as yet on this matter.

In the South the activities of Japanese agents in Canton, Swatow and other places in Kwangtung Province are causing anxiety. In Canton especially the arrest of a Korean resident by agents of the Japanese Consulate has greatly worried the Chinese.

In the North there has been much travelling of important Japanese such as Mr. Ariyoshi, the Japanese Minister, who has just arrived in Peiping, and Lieutenant-Colonel Shibayama of the Military Attache's office, who recently went to Hsinking. Linked with such events have been the calls paid by such persons, especially Mr. Ariyoshi, on Generals Huang Fu and Ho Ying-chin. Lieut. Colonel Shibayama has stated privately and semi-publicly that the Japanese troops would soon withdraw to the Wall and turn over the passes including Shanhaikwan to the Chinese. His trip to Hsinking is believed to have been for conferences with officials of the Kwantung army with this in view.

On all sides there are continued indications that the Japanese have put a glove on the mailed fist in dealing with North China (see G-2 Report No. 8669, par. 1). Possibly events on the Soviet-Manchurian border have prompted this move, but at any rate it is believed that a more conservative attitude is to be expected. The outward pose of Japan in the recent Fang Chen-wu outbreak near Peiping was helpful to the National

Government and certainly officials of both countries are going out of their way to observe the conventional courtesies which some months ago were most conspicuously avoided.

2. Mongolia Seeks Autonomy.

Reports of unrest in Inner Mongolia took form some weeks ago when Teh Wang or Prince Teh (Tehmutuklunglupu) called a conference of a number of the Mongol princes at Pai Ling Miao, some 120 miles northwest of Kueihwa. Teh Wang is credited by many with starting this movement under Japanese inspiration. While this plan of partial autonomy might readily be turned into a separatist movement by the Japanese, it is believed that this particular movement is more a plan by Teh Wang to take advantage of the National Government at the present time with resulting benefit to himself.

It is thought that the Japanese will welcome any such movement and will support it, even making concessions to the Mongols. The question is whether or not the Mongols would be willing to exchange the nominal rule of China for an influence which even the Mongols, blinded by traditional dislike of Chinese rule, must see would soon become actively predatory.

The Nanking Government, outwardly at least, has not denounced the aspirations of the Mongol princes, but is not convinced that Teh Wang actually represents the majority of them. Therefore since the actual strength and character of the movement are doubtful, the Government is sending a party headed by General Huang Shao-hsiung, Minister of the Interior, to Mongolia for the purpose of investigating conditions in that area. This party consists of about twenty officials, all being members of General Huang's department, the Commission for Mongolian and Tibetan Affairs, the Nanking General Staff Bureau, the Military Affairs Commission, and the Organization Department of the Central Kuomintang. The Chang Chia Living Buddha, however, who has been appointed Pacification Commissioner for the Mongol Banners (tribes), still remains in Peiping and has shown no evidences of continuing his journey northward. Though he is known as spiritual leader of Inner Mongolia, the Living Buddha has not evidenced any desire to become too involved in the approaching political discussions on the side of the Chinese.

There is no question but that Inner Mongolia presents a difficult problem. Far more feudal than even most parts of China off the trade routes, we find the Mongol officials of to-day wearing the peacock plumes and costumes of imperial days and living and ruling with the spirit of those times.

The present situation is concerned with Chinese rule in Chahar and Suiyuan, two of the three provinces which were formed from Inner Mongolia. The third province, Jehol, where are located the Joude and Josoto leagues of Mongol tribes, is now gone from Chinese control, as is northern Fengtien, wherein

we find the Jerim league. The Silingol and Olanchab leagues, the Chahar Mongols and the Suiyuan Tumuts are located in the territory which is bounded on the north by Soviet influenced Outer Mongolia and Japanese controlled Jehol on the east. It is practically another but smaller Manchuria moved westward and subject to the same disturbing influences. For some time Mongol princes have been making protestations to the Nanking Government which finally has been moved to action - it is hoped in time to save Inner Mongolia for China.

3. <u>French Loans for Manchuria?</u>

The official "Manchoukuo News Service" reports that an agreement has been reached between M. Andre d'Oliver, representing a group of French investors, and the officials of the South Manchuria Railway covering conditions under which French capital may be invested in Manchuria. It is stated that one of the points discussed was a long term loan of 1,000,000,000 francs which has not received approval from Tokyo as yet.

This loan if concluded will amount to about $60,000,000 and will represent the first outlay of foreign capital in Manchuria. It may also be the outward sign of a closer Franco-Japanese understanding, the indications of which are always looked on with suspicion in China as the Chinese cannot help but feel that France would like to control Yunnan Province as the Japanese now regulate Manchuria.

4. <u>The Chinese Eastern Railway.</u>

The threat of the Soviet Government to publish certain documents "generally disclosing the methods the Japanese military authorities and the Japanese administration in Manchuria intended to follow during the next few months" (see G-2 Report No. 8669) was carried out on October 10th when the Tass Agency in Moscow published what profess to be three reports from the Japanese Ambassador to "Manchoukuo" to the Tokyo Foreign Office and also a despatch by the Japanese Consul in Harbin to General Hishikari. The source of these documents and proof of their authenticity was not given out in the announcement from Moscow, but they contain very clear references to the possible seizure of the C.E.R. and also to measures for exerting pressure independently of the negotiations proceeding in Tokyo for the sale of the line.

The Japanese War Office expressed great indignation over the publication of the documents and Reuter's despatches state that officials of the Foreign Office as well as of the Army characterize the Soviet's action as an inexcusable breach of international faith. The Japanese press has also been rabid and some of the papers have advocated expulsion of the Tass correspondent in Tokyo and the breaking off of negotiations for the sale of the C.E.R. unless Russia apologizes and withdraws her assertions. A spokesman of the War Office gave out a statement that the Army was pressing the Foreign Minister to lodge a strong protest with Moscow and to back it

up with a warning of sterner action should Russia refuse to retract the documents and admit that they are false. The Foreign Office, however, is apparently taking a calmer view of the matter and is said to be awaiting a report from Mr. Ota, the Ambassador to Moscow.

The documents in question were published following the non-release of Soviet employees of the C.E.R. who had been arrested by "Manchoukuo" authorities, and their publication has only added fuel to the fire. While objecting that M. Sokolnikov, Soviet Vice-Commissar for Foreign Affairs, had not submitted the documents to Mr. Ota for verification, the spokesman of the Tokyo Foreign Office has not denied their authenticity.

And so the matter stands. It looks as though the Soviets had played a high card and that Japan as yet was undecided as to whether she would let the trick pass or play a trump. Meanwhile the fate of the Chinese Eastern Railway and possibly of Asia hangs in the balance.

5. Oil for Japan.

Following closely upon reports of increased governmental interest in oil, comes the arrival of Lieut. General Yasusada Yoshioka in Dairen on October 15th. General Yoshioka is an expert on fuels and is Superintendent General of the Japanese Army Fuel Depot at Tokuyama in Yamaguchi prefecture. He was accompanied by Major General Sashichi Sumi in charge of a branch depot at Pingyang, Korea, and Colonel Nagayuki Takahashi of the briquette section of the Tokuyama Depot. These officers are publicly announced as being on an inspection tour of Manchuria to investigate the fuel resources of that area and plan to visit also Fushun, Hsinking and Anshan.

On arrival in Dairen, General Yoshioka gave out the following statement to the press:

> "Japan annually imports 2,000,000 tons of petroleum. Domestic production is only 250,000 tons a year. This necessitates Japan enriching her supplies of oil by all means. The authorities concerned are leaving no stone unturned. Exploitation of mines in South Saghlien and Formosa has been undertaken. Researches are being conducted in Manchuria. Increase in the output of shale oil at the Anshan plant is being planned. Liquefaction of coal has been taken up."

It has been officially given out that test drilling in Formosa has resulted in the discovery of five oil wells. According to Japanese sources this is said to be a high percentage as compared with recent tests in Japan where only one oil well was brought in out of 96 tests. Conferences between the Overseas Department and the Formosan Government representatives were held in Tokyo on October 6th.

6. National Athletic Meet.

Among the other celebrations of the 22nd anniversary of the Chinese Republic was the National Athletic Meet which opened in Nanking on October 10th in the new National Stadium. This new structure would do credit to any country with a large central field for track events, a swimming pool, and separate enclosures for various kinds of sports. Athletic teams and entries from all parts of China took part, including the "lost provinces" of Manchuria. Many records were broken and the occasion pronounced a huge success.

The National Government has been criticized by many for spending so much money on this stadium, its allied activities and the Athletic Meet, but from the point of view of unified China it is well worth it. Delegations of young Chinese from all over the country were present. They were assembled and given a chance to be propagandized by Chiang Kai-shek, and other Nanking leaders. There were many ceremonies of swearing allegiance to the Central Government and paying reverence to Sun Yat-sen. All these things cannot but help sow the seeds of unification and give the younger generation a feeling of loyalty to some national directing head, a thing which has been lacking in China for many years. All the people present at the meet will go home with their minds imbued with the spirit of the National Government and their hands full of literature to spread the doctrines of Nanking. Things such as this are signs of progress and healthy ones which should be encouraged by all who wish well for China.

7. Shanghai Civic Center.

Someone once said that the Chinese have a propensity for doing things in a manner diametrically opposite to our Occidental custom. And so they have reversed our old saying about Mohammed and the mountain in a manner quite characteristic. Faced with the impossible task of moving the Foreign Settlements away from Shanghai, the Chinese have evolved the idea of moving Shanghai away from the Foreign Settlements.

The first step in this program was taken on October 10th, when Mayor Wu Te-chen of Greater Shanghai Municipality dedicated the buildings of the Greater Shanghai Municipal Administration at Kiangwan. The new municipal buildings are built in Chinese style combined with the best of modern interior arrangement and are by far more Chinese, architecturally beautiful and utilitarian than any of like construction which have been erected in China in the past ten years. As a matter of fact they put to shame the government office buildings now under construction at Nanking, with the possible exception of the one occupied by the Moral Endeavor Society at the Central Military Academy.

In his opening address, Mayor Wu eulogized the services of the three former Mayors, General Huang Fu, General Chang Tan-fan and Chang Chun, and laid emphasis on the fact that the building up of a Greater Shanghai was being done in accordance with the reconstruction plan of Dr. Sun Yat-sen. A number of foreign business interests, however, seem to feel that the move is directed against them, and of course it is only

natural for the Chinese to take affairs more into their own hands. As a matter of fact the location of the Civic Center in Kiangwan, about half way between the present center of Shanghai and the town of Woosung, would be more convenient for shipping. However, whether it will be possible ever to effect the transformation of Shanghai desired by the Chinese is another question and one which only time can solve.

8. National Economic Council.

Considerable publicity has been given to the formation of a National Economic Council, with which the experts of the League of Nations will offer technical co-operation for extensive reconstruction projects in China. This council, which later will be the subject of a separate report, is headed by a standing committee composed of Wang Ching-wei, T. V. Soong and Sun Fo.

The first meeting was held on October 4th which consisted of the formal inauguration at which was present Dr. Rajchman, the League adviser on matters of public health.

9, Sino-Swedish Expedition.

The Sino-Swedish Expedition under the leadership of Dr. Sven Hedin (see G-2 Report No. 8669) left Peiping on October 21st on its journey to Sinkiang. In addition to receiving $50,000 silver for expenses, Dr. Hedin has been appointed a special adviser to the Chinese Government. It is learned from a member of the expedition that an additional $10,000 silver has been promised.

Considerable publicity has been given in the vernacular press to the interchange of telegrams between Dr. Hedin and President Roosevelt reference commemorative stamps of the expedition. These stamps were issued by the Chinese Government and almost entirely bought up by Dr. Hedin who has been trying to get them recognized by philatelic authorities to raise their market value and provide funds for his continued explorations. The Chinese postal authorities have announced that these stamps may be used on letters up to the end of December 1933.

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COMMENTS ON CURRENT EVENTS

October 26 - November 9, 1933

1. Sino-Japanese Relations.
2. Another Governmental Crisis.
3. Mongolian Autonomy.
4. Japan's Plans in "Manchoukuo"
5. Russia and Japan in Manchuria
6. Lo Wen-kan Returns.

1. Sino-Japanese Relations.

During the past two weeks the National Government has been forced into an increasingly difficult position by continued Japanese pressure. While the mailed fist has been covered with the kid gloves of friendly visits and lavish entertainments, the weight behind is none the less evident and the Chinese are feeling its crushing effect in many ways.

The vernacular press speaks of the Japanese diplomatic attack as having three angles and calls attention to the discussions in North China, in Nanking and Shanghai, and in Tokyo. Of the three it is believed that the ones in which General Chiang Tso-pin, Chinese Minister to Tokyo, is involved are the least important as he is believed to be more of a liaison agent than a person of much bargaining power.

The second point of attack, that in North China, appears to be chiefly concerned with the return of more normal economic conditions and resumption of trade relations with "Manchoukuo". Involved in this of course is the return of the passes of the Great Wall to Chinese control and reopening of railway, postal and telegraphic communications. The Chinese are more anxious to achieve the former but the Japanese are concerned with the latter in order to increase markets for Manchurian products. It was with this in view that the visits of prominent Japanese to North China are still being made (see G-2 Report No. 8679). Following closely on the heels of Mr. Ariyoshi came Mr. Yotaro Sugimura, former Japanese Under-Secretary of the League of Nations, and most recently General Okamura, Vice-Chief of Staff of the Kwantung Army.

Okamura has come to Peiping for the purpose of negotiating

(1) restoration of through railway, postal and telegraphic communication between Peiping and Mukden;
(2) opening of trade and establishment of customs offices along the Great Wall;
(3) retrocession of the passes along the Great Wall to Chinese control.

Just what progress has been made is not known as discussions are kept very secret. It is believed that the Japanese are approaching the Chinese with some such statement as this: "We can force your recognition of Manchoukuo but we

appreciate the internal difficulties such a step would cause you. We therefore magnanimously refrain from demanding recognition at this time and because of our generosity in this matter we expect you to do certain things". Just what they demand is of course unknown but it is thought General Okamura's three reasons for his trip are quoted correctly. With reference to the matter of the return of passes, which causes the Chinese much loss of face, it will be noted that the Japanese statements to the effect that such had been done, have been gradually tempering off to remarks that it will be done next spring. Hence it was a surprise when on November 7th General Okamura announced to the press, after a conference with Huang Fu, the Chairman of the Peiping Political Re-adjustment Council, that "the Chinese Government authorities can take over the Wall passes as soon as their preparations to do so are completed. There is no need for further discussions".

At this conference, in addition to Okamura and Huang Fu, the following were present: General Ho Ying-chin, Minister of War, Colonel Kita of the Kwantung Army Staff, and Mr. Yin Tung, Managing Director of the Peiping-Mukden Railway. It is understood that the matter of customs offices along the Wall and communications were also discussed. The Chinese have made no announcements regarding these conferences and resent the publicity given them by General Okamura.

With the present set up of affairs in North China, it is timely to note that the Japanese have apparently abandoned for the present their plan of setting up an independent state in the Lwan River area or in North China. The time proved unpropitious and the Japanese changed their methods and also changed their officials as is customary in such cases. It has been observed that in China they send one set of men to carry out a plan and when it has been accomplished or a new plan necessitated they substitute another team. So when the "buffer state" fell through there was a general shake up in the Japanese Legation with a resulting difference in manner of approach. As a result conditions are quiet in the North, Chinese "police" have been allowed in the Lwan River area and calls and entertainment outwardly replace demand and ultimatum.

What the Chinese term the third point of attack is aimed at the heart of the National Government and while little publicity has been given to the Japanese efforts at Nanking and Shanghai, they have inflicted a deep wound upon China. It will be remembered that the Japanese have been quietly pushing for an abandoning of the anti-Japanese boycott ever since the Tangku Truce (see G-2 Report No. 8669). While Chiang Kai-shek has himself made no recent statements regarding the boycott, reports from all over China indicate that there has been a marked relaxing of efforts to prohibit sale and use of Japanese goods in all parts of the country. As to the tariff, it has been evident that Mr. T. V. Soong has been in a most difficult position ever since his return from America (see G-2 Reports No. 8669 and 8679). As the outstanding opponent of conceding

anything to the Japanese, he has been forced out of office and tendered his resignation as Minister of Finance which was finally accepted by the Government the last of October. A sound business man, with modern ideas, he was respected by all parties. His resignation will be a loss to China and to Sino-American relations as he was very pro-American. He was replaced on November 1st by his brother-in-law, H. H. Kung, another of the so called "Soong Dynasty". While Kung announced that Soong's resignation had no connection with foreign policy this is quite evidently untrue. He also stated that Soong resigned because he was unable to balance the budget due to the demands of military leaders for funds to carry out the anti-communist campaign. All of this contains truth but it is believed that it was because of his unwillingness to make terms with Japan that Soong gave up his office. He struck a new note in Chinese politics when he announced that he was "not going abroad nor was he resigning for his health"! It is yet too soon to see the effect of the resignation of China's financial wizard. He has indicated his intention to carry on with the National Economic Council and he will still be a very important factor in Chinese affairs.

The trend in China seems to be more toward increasing Japanese influence in Chinese affairs. The three point attack by the Japanese is very clever as it avoids any definite demands in any one place against which the Chinese Government can rally popular opposition. The Japanese diplomatic mice are gnawing at China in many places and the Chinese governmental cat is dizzy endeavoring to combat the many invasions of its larder.

2. <u>Another Governmental Crisis</u>.

Harassed on all sides by Japanese diplomatic aggressions and tormented by internal political difficulties, the Nanking Government is facing another crisis. This was brought to a head by the resignation of T. V. Soong from his post as Minister of Finance. T. V. Soong, brother-in-law of Sun Yat-sen, H. H. Kung and Chiang Kai-shek, has been the financial balance wheel that has kept the National Government running smoothly. While disagreeing with Soong in many ways and often jealous of his power, Chiang Kai-shek has needed him badly and the political existence of each has been dependent upon the other. Recently Chiang has been content to remain in the background, confining his attention to building up his army and only asking for money for military expenditure. His demands plus the necessity of sending funds to the Peiping Branch Military Council created an unbalanced budget. The much heralded American Wheat and Cotton Loan was another sore point as Soong insisted that any proceeds resulting should go to economic reconstruction. All this combined with pressure from the Japanese, as noted elsewhere, forced Soong from office and Chiang is again at the parting of the ways.

While this report was being written the following telegram was received from the American Consul General in Nanking:

"I have received information believed to be reliable that the anti-communist campaign in Kiangsi was abandoned November fifth. The reason assigned by informant was pro-communist sentiment among government troops and general unwillingness to fight."

If it is actually true that the anti-communist campaign is to be abandoned its consequences may well be tremendous on internal Chinese politics and specifically for the continuation of the power of Chiang Kai-shek. For the past three years Chiang has stated that the successful conclusion of the anti-communist campaign in Kiangsi has been the most serious problem in China. During this time he has repeatedly used it to avoid taking an active part in the other national problems, the most pressing of which was resistance against Japanese aggression and invasion. To abandon that campaign at this time will likely call for an early test of Chiang's power not only within the Kuomintang party at Nanking but also with Canton.

Should the campaign be given up it can only be for the reason that internal conditions in Nanking are so serious as to demand all of Chiang Kai-shek's attention. It is known that the bitter anti-Chiang feeling in Kwangtung has been apparent for months and has only been allayed by the personal power and influence of Ch'en Chi-tang. For his help Chiang has remitted $500,000 monthly for several months and rumor has it that this sum was increased recently to a monthly subsidy of $750,000. It is also well established that for the past several months the Kwangtung-Kwangsi authorities, now allies, have had representatives in Kweichow and Yunnan trying to undermine the loyalty of those provinces to Nanking. In Fukien, the 19th Route Army clique has not attempted to disguise its dislike of Chiang. To the west in Hunan it is also known that Chiang has not received the co-operation he desired from the conservative governor, Ho Chien.

With Soong to keep house, as it were, Chiang was free but with the resignation of Soong, whom he could trust to do what was best for the Government, Chiang's position is not enviable. While the above report is not confirmed and it is too early to appreciate its full significance if a fact, it is certain that with Soong gone, Chiang will have to watch Nanking closely. Chinese opinion leans to Chiang's assuming the powers of a dictator and looks for a large political turnover in the Government. While later events will prove the necessity for the former, the latter is believed assured. It is expected that the Minister of Communications, Mr. Chu Chia-hwa, will resign and it is practically certain that Lo Wen-kan, just returning from the Northwest via Vladivostok, will not resume the Foreign Affairs portfolio. Huang Fu is mentioned for Foreign Minister and C. T. Wang (Wang Cheng-t'ing) for the Communications post. It is not believed that Huang Fu will leave his powerful seat in Peiping where he seems secure for the Foreign Affairs portfolio with its many difficulties. C. T. Wang is outstandingly fit for the Foreign Office position but since his former forced exit it is not thought that he could return at this time. He might be induced to serve as Minister of Communications but it is known that he is loath to take any office until the political situation quiets down.

Hence the National Government is faced with the task of at least a partial reorganization and if the telegram from Nanking is true the situation will be serious. Chiang has been justifying enormous military expenditures by his anti-communist campaign. He has also used this as a patriotic slogan to unite factions not friendly to him and as an excuse for not taking a stronger position toward Japan. Certainly the National Government is facing a difficult problem.

3. Mongolian Autonomy.

General Huang Shao-hsiung and his commission to investigate the Mongol autonomy question (see G-2 Report No. 8679) have reached Kweihwa and are being wined and dined in traditional manner. Also in like manner move the negotiations. While Huang is at Kweihwa conferring with delegates from Teh Wang, the principal backer of the autonomy movement, Teh Wang is at Pailingmiao having discussions with representatives from General Huang. Meanwhile Teh Wang's deputy, Mr. Pao Yueh-ching, has been calling on Ho Ying-chin in Peiping. Thus we are treated to all sorts of views on Mongolian autonomy without the principals as yet meeting to discuss the matter. This is according to custom and it is not believed that General Huang Shao-hsiung will go to Pailingmiao until the Mongol leaders are ready to accept the Central Government's proposals or else some sort of compromise has been effected.

From what can be learned by talking to Chinese officials, it appears that the Government is unwilling to see an autonomous government in Inner Mongolia. The Mongols on the other hand do not view with favor the plan of Nanking to administer Mongolia under a new Ministry of Border Affairs. The proposed new Ministry is stated to be projected through the amalgamation of the Mongolian and Tibetan Affairs Committee and the Border Affairs Bureau of the General Staff.

The younger Mongols to whom Teh Wang is a representative, have received considerable education and are not content to sit back and see uncontrolled reclamation and increased taxation forced upon Mongolia by the Chinese with no apparent benefits to the Mongols.

Well informed foreigners who live in Inner Mongolia are of the opinion that the older element of Mongols are not behind Teh Wang and while the Young Mongols are an element to be considered they do not represent the majority party in Inner Mongolia. This no doubt is one of the things that General Huang and his commission are trying to verify so as not to become committed to any plan with a faction which may not come out on top.

It seems that the Princes are divided into three groups which may be classed as Radicals, Moderates and Conservatives. The Radical party or Young Mongol party, led by Teh Wang, insists on complete autonomy. The Moderates are willing to accept a governmental plan of preparation for self-government. The Conservatives are the least important and ask only to be left alone. Hence the problem for the Moderates is to induce Teh Wang and his cohorts to tone down their demands.

Apparently some progress has been made as on November 7th General Huang gave out the following statement in Kweihwa: "The prospects for an early settlement of the autonomy question have become bright and I will start for Pailingmiao in two or three days". While this sounds very optimistic it is believed that many conferences and feasts will take place before any agreement is reached between the Chinese and the Mongols.

4. Japanese Plans in Manchoukuo.

Much speculation is being caused by press reports of the establishment of an "Economic General Staff in Manchoukuo". According to the Rengo News Agency (Japanese) the following will be accomplished in order to bring the plan into execution:

"1. The establishment of a financial organ for the development of Manchoukuo by mobilizing large financial organs in Japan, under the auspices of the Japanese Government.

"2. The organ shall be capitalized at 100 million yen; to which the right of issuing debentures equivalent in the amount to fifteen times of the capital shall be invested, the Japanese and Manchoukuo Governments giving their full guarantees thereanent.

"3. The organ shall look after large investments only, and establishing farmers', industrial and colonization and development banks in Manchoukuo, let them attend to investments of small and medium kinds.

"4. Proper connection shall be established between the new organ and the South Manchuria Railway, the Oriental and Development Co., and other organs already in existence, for the sake of bringing Japanese and Manchoukuo financial policies under uniform control.

"5. The new financial organ shall be in close touch with the Economic General Staff, and attend to the work of effectively developing various industries in Manchoukuo.

"6. Japanese manufacturers shall be prevailed upon to supply their goods to Manchoukuo buyers on credit, the government giving guarantee therefor in case of necessity.

"7. The investment of European and American financial groups shall be solicited through the medium of large Japanese syndicates or the Japanese Government.

"In order to carry out the above schemes smoothly and effectively, a control committee shall be organized to co-operate with the organ."

That the plan is sponsored by the Japanese Army is proven by the statements of Lieutenant-Colonel Numata, who has just returned to Hsinking from Tokyo and after conferences with General Takashi Hishikari and Lieutenant General Kuniaki Koiso, Chief of Staff of the Kwantung Army, gave out the following to the press:

"Problems of grave importance are included in the Army plan and immediate materialization will be impossible. Understanding, however, was secured.

"The establishment of an 'economic general staff office' is a plan cherished by the Army and is not a sudden plan. It will be indispensable for the State politics of Japan and Manchoukuo to bring the two

countries to one unified economic organization properly by controlling enterprises for exploiting natural resources of strategic importance.

"The reorganization of the S.M.R. Co. can not mean the dissolution of the Railway Company but a strengthening of the existing system.

"One important question is the transfer to the Kwantung Army Headquarters of power to supervise the S.M.R. I have obtained an understanding in Tokyo on this point."

With reference to the reorganization of the South Manchuria Railway, news from Dairen indicates that protests are being made by delegates supposed to represent some thirty thousand employees of the company. They object to the plan whereby control of the S.M.R. will be given the Kwantung Army and administrative authority for the railway zone turned over to "Manchoukuo".

Linked with these plans of Japan to control more closely every activity in Manchuria, come the persistent rumors that Henry Pu Yi soon will be declared Emperor of "Manchoukuo". While the time may not be ripe for this move, such an event would certainly pave the way for eventual renunciation of the throne by Pu Yi and actual annexation of his "empire" by the Japanese whenever they so desire.

5. <u>Russia and Japan in Manchuria</u>.

Negotiations over the Chinese Eastern Railway have been crowded into obscurity by the increasing tenseness of relations between Russia and Japan in Manchuria. Statements and protests about violations of neutrality, flights of Russian airplanes over "Manchoukuo" and of Japanese planes over Soviet territory, etc., have been flying thick and fast.

The Japanese, formerly assuming quite a bellicose attitude, appear rather surprised by the statements of M. Molotov, Chairman of the Council of People's Commissars, on the occasion of the sixteenth anniversary of the Soviet October Revolution. He made mention of "ridiculous plans of some Japanese statesmen with reference to the seizure of Siberia and the near coast region" and also stated that "Soviet authorities have strengthened the Red Army and in case of an attack would do everything to ensure that the Red Army obtained a complete victory over and the full destruction of the Soviet's adversary".

M. Molotov's speech has been given wide publicity and it is believed caused Japan no little concern. It is worthy of note that nothing further has been heard from that government with reference to the documents published by the Soviet authorities concerning Japanese activities in Manchuria (see G-2 Report No. 8679).

It is not believed that either nation wishes to fight at this time. The Japanese bluff has been called by Russia who now appears to be feeding the Japanese some of their own medicine. This view is borne out by late reports from Tokyo which quote a spokesman of the Foreign Office as saying, following a long conference between Mr. Koki Hirota, the Foreign

Minister, and M. Yurenev, the Soviet Ambassador, that a concurrence of views upon the necessity of improving the atmosphere in Russo-Japanese relations was apparent. Mr. Hirota is supposed to have denied the most recent supposed flight of Japanese military planes over Soviet territory and to have stated that the present Russo-Japanese tension was due to the publication of the documents mentioned above concerning the alleged Japanese intentions for seizing the Chinese Eastern. The Japanese Foreign Minister is also quoted as suggesting that Russia follow the good example of the United States in transferring the American fleet from the Pacific to the Atlantic. The Tokyo spokesman concluded by saying that Japan had no desire to retard the negotiations for sale of the C.E.R. but that the present tense atmosphere was not conducive to their continuation. M. Yurenev is supposed to have agreed with Mr. Hirota regarding the necessity for improving Russo-Japanese relations and to have promised to refer the matter to Moscow.

6. Lo Wen-Kan Returns.

Dr. Lo Wen-kan, the Minister of Foreign Affairs, arrived in Tientsin on November 8th. He is returning from Sinkiang where he went for a conference with Dr. W. W. Yen, Chinese Ambassador to Moscow (see G-2 Report No. 8660, par. 2 and No. 8669, par. 7). As conditions in Sinkiang were bad for travel, Dr. Lo returned via the Trans-Siberian Railway to Vladivostok and thence by Norwegian steamer to Tientsin.

The Chinese press carries continued discussions and rumors concerning a Sino-Soviet non-aggression pact and the general belief is that Dr. Lo is bringing some such proposal for submission to the National Government. Much interest is being evidenced regarding such a pact as there is considerable belief that closer relations with Russia at this time cannot help but be beneficial to China in her future dealings with Japan.

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COMMENTS ON CURRENT EVENTS

November 9 - 23, 1933

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3. U.S. Recognizes U.S.S.R.
4. Sino-Japanese Negotiations.
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1. Fukien Revolts.

Early in November rumors of unrest began to filter out from Fukien and it was noticed that many important personages in southern political circles were going to Amoy and Foochow. Ever since the 19th Route Army went into that province their influence has been increasing and in like proportion has grown their resentment against Chiang Kai-shek. Sent to Fukien for the avowed purpose of fighting the communists, the 19th Route Army carried out certain operations which placed desired strategic areas in their control and then apparently concluded some sort of a "non-aggression pact" with their communist opponents.

When this move on the part of the officials of the 19th Route Army became known the National Government very quickly stopped furnishing financial aid to Tsai Ting-kai as it could see no purpose in paying for an anti-communist drive which had turned into a laissez faire comedy. This action on the part of Nanking brought immediate results and caused a conference in Foochow attended by all the present and former prominent personages connected with the 19th Route Army. Shortly after this Tsai Ting-kai seized the branches of the Bank of China in Amoy and Foochow, giving as a reason the failure of Nanking to remit money due his troops.

Realizing the difficulties facing the National Government following the resignation of T. V. Soong and no doubt choosing this very opportune time to aid in tearing down Nanking's power, the 19th Route Army militarists are reported to have organized the "People's Government of Fukien" on November 20th. The leading officials of this government are given as follows:

Chairman - Li Chi-shen (Li Chai-sum), former Cantonese commander who was kept in arrest in Nanking for some time by Chiang Kai-shek.

Chief of Executive Committee - Chen Ming-shu, former commander of the 19th Route Army.

Chief of Military Committee - Tsai Ting-kai, present commander of 19th Route Army and Chairman of Fukien.

Foreign Minister - Eugene Chen, of Canton fame.

Finance Minister - Hsu Chung-chin, former Vice-Minister of Industry at Nanking.

To date Fukien stands alone in this movement of open opposition to the Central Government but it is known that the rebels are doing their best to have Kwangtung, Kwangsi, Kweichow, Hunan and Yunnan join the alliance. In this fiasco it is believed that Kwangtung is the vital factor. At the present time General Cheng Shao-cheng, Finance Commissioner of Kweichow, and General Chang Pei-chien, representing Ho Chien, the Chairman of Hunan, are both in Canton and have announced the intention of their provinces to adopt an attitude similar to that of Kwangtung. Chen Chi-tang in Kwangtung has been receiving a large subsidy for monthly expenses from Chiang Kai-shek and it seems unlikely that Tsai Ting-kai can offer him more than can the Central Government. However the official vultures are hovering near in order to be sure of getting in at the death, should there be one. If Kwangtung joins with Fukien its influence may easily swing other southern provinces and the situation may become serious.

Meanwhile mass meetings in Foochow are being addressed by the vitrolic Eugene Chen and others, while slogans of "Down with the Kuomintang"; "Down with the Nanking Government"; "Down with Chiang Kai-shek" and "Oppose Japan" are being published. The Salt Gabelle offices in Foochow have been taken over by the new government and though a new Superintendent of Customs has been appointed, the Customs offices have not yet been seized.

At the present time it is too early to state what will be the results of the Fukien rebellion. As this report is being prepared the Chinese are watching for a manifesto announcing the Government's intentions toward the 19th Route Army as a result of a meeting of the Central Political Council to consider the matter. The latest information available is a Reuters report that the Nanking Government has actually issued a decree ordering the Executive Yuan and the National Military Commission to enjoin their subordinate organ to take prompt measures for the early suppression of the Fukien rebellion.

Whatever the result of this revolt it is most unfortunate from the point of view of well wishers of a Central Government in China. Just as a crisis had developed within the government over Soong's resignation, it is deplorable that leaders of the 19th Route Army of "Shanghai War" fame should choose to vent their personal animosity against Chiang Kai-shek and hold such higher than their loyalty to the Nanking regime. A new note is injected into the discord by the fact that many of the persons associated with the Fukien group were former strong supporters of Dr. Sun Yat-sen and the Kuomintang and it is known that Huang I-hsiang, a representative of Madame Sun Yat-sen, is now in Foochow and taking part in the anti-government conferences.

2. Mongolian Autonomy.

After some days of preliminary discussions between General Huang and delegates from Teh Wang, and Teh Wang with representatives of General Huang (see G-2 Report No. 8489), sufficient progress had been made so that the principals could meet without loss of face. Hence Huang Shao-hsiung and the rest of his government mission went to Pailingmiao, the famous Lama Temple which serves as the gathering place for the present conference of Mongol princes.

Representatives of Teh Wang and General Huang had apparently made such progress that, as is quite common in China, the main issues had been talked over in advance and tentative terms worked out on a compromise platform. There is no doubt that both sides were anxious for an amicable settlement. So the National Government mission was welcomed to Pailingmiao and the arduous matter of working out the detailed terms of the negotiations have been momentarily postponed for the serious business of celebrating the event. Observers report that Huang was received with all the Mongol honors; Princes and delegates from the various banners pitched their "yurts" around the temple and great festivities took place. These included Lama prayer services, horse races, theatrical entertainments and feasts.

It is reported that the Moderates (see G-2 Report No. 8489) were able to convince Teh Wang and others more radically inclined to modify their demands for a separate autonomous government in Inner Mongolia and accept some form of supervision by the Central Government. In an interview given to representatives of the vernacular press on November 20th, General Huang stated that the preliminary agreement provided for the establishment of two autonomous administrations in the territory under Mongol Leagues, one in Chahar and the other in Suiyuan. These are supposed to be patterned on the same system of government that has been prevailing in the several Mongolian banners, but under the direct supervision of the Central Government. Current expenses are to be borne by the Central Government but all revenues collected are to be retained for development of Inner Mongolian enterprises. General Huang also announced that an agreement had been reached in regard to the practice of colonizing Mongol territory so that the land may be retained for pastures as desired by the Mongols. Just how autonomous these two proposed administrations can be and yet be under "direct supervision of the Central Government" remains to be seen.

General Huang and his party returned to Kweihwa on the 19th seemingly elated with their success. His attitude is reported very optimistic by competent observers and this no doubt is due to the fact that the Mongols proved more tractable than it was first supposed. The agreements of course are not final as they must have the approval of Nanking. It is understood that both sides were most willing to effect this compromise agreement and that the only real stumbling block was General Fu Tso-yi, Chairman of Suiyuan, who used his influence to prevent many of the Ordos tribes in that province from sending delegates.

3. U.S. Recognizes U.S.S.R.

Recognition of the Soviet Government by the United States has caused some comment in China. While there is only circumstantial evidence in the chronologic announcements from the United States of the recognition of Soviet Russia and the plan to move our battle fleet from the Pacific to the Atlantic, the Oriental mind draws only one conclusion. The first coming just at the time of tense Russo-Japanese relations was hailed as being an indication to Japan of a possible Soviet-American alignment directed against her. Then as a sort of sugar coating to a bitter pill, President Roosevelt's decision about the fleet was accepted as a move to disguise the unpalatable taste of Soviet recognition to the Japanese consumer.

Chinese opinion feels that our recognition of Russia will embarrass Japan and hence welcomes it. Foreigners and English speaking Chinese are deriving a great deal of amusement from the news items telling the actions of George Bronson Rea, well known pro-Japanese propagandist, now openly employed by the Japanese as a "Manchoukuo" Foreign Affairs official, wherein he warns the United States of the dangers arising "should loans and credits granted to Russia be used by her to further preparation in Central Asia and Siberia".

4. Sino-Japanese Relations.

Plans for furthering better Sino-Japanese relations in North China (see G-2 Report No. 8689) are virtually at a standstill. It seems that while T. V. Soong was in power, there was a general feeling of confidence of the government leaders that whatever negotiations were going on between Huang Fu and the Japanese in Peiping, Soong would prevent any agreement detrimental to China.

With Soong's resignation of course went this feeling of confidence and according to our Consular representatives in Nanking it appears that the Central Political Council, after calling for a full report of the negotiations in the North, sent a telegram to Huang Fu to break off his discussions with the Japanese.

Colonel Shibayama, the Japanese Military Attache in Peiping, stated on November 21st that he was going to Tientsin to meet Tao Shang-ming, the administrative inspector for the Luantung area reference retrocession of the walled city of Shanhaikwan.

Chinese reports from Tientsin indicate that there is a strong possibility of the work of taking over Shanhaikwan city being started on November 25th. Preparations are stated to be already under way by the Chinese authorities for the removal of the district government of Shanhaikwan from Haiyangchen to the walled city. It will be remembered that Shanhaikwan was occupied by the Japanese on January 4th after four days of severe fighting in which many Chinese soldiers were killed. When the Luantung area was returned to the Chinese last August as a result of the Tangku armistice agreement, the walled city was retained by the Japanese.

In view of statements made by a member of the Japanese Legation regarding non-continuance of negotiations and the instructions received by Huang Fu, it would appear that prospects of an early settlement in North China are not promising.

In the South there have been no reports of progress. The resignation of T. V. Soong followed by the internal political murmurings caused thereby, and the recent Fukien rebellion appear to have overshadowed all else, even Japanese pressure, in the minds of the Nanking Government leaders.

It is believed that the Chinese plan to delay negotiations of all description hoping that the Russo-Japanese situation will become critical soon enough to cause war. Should their hopes come true, they figure that the outbreak of hostilities would find the Sino-Japanese issues unsettled without China being committed to any line of action detrimental to her interests. While this office appreciates the psychology behind the Chinese aspirations, it is thought that the Japanese will force a settlement of Sino-Japanese outstanding questions by their "three point attack" before any situation with Russia can become critical.

5. Sino-Soviet Non-Aggression Pact.

Despite the high hopes raised by the return of Dr. Lo Wen-kan, supposedly bringing some sort of a Sino-Soviet non-aggression proposal for submission to the Government, Lo has had nothing to say and official organs have remained inarticulate upon the point.

From most reliable sources it is learned that negotiations for such a pact are at present deadlocked due to the determination of the Chinese to include a clause concerning Soviet non-recognition of "Manchoukuo" and the Soviet insistence upon its elimination.

The Soviet attitude would seem to be capable of two interpretations. In case of war between Russia and Japan, the former would not wish to have her hands tied by any pact of non-recognition of "Manchoukuo". By such the Soviet would be unable to undertake military operations in Manchuria without aggressing upon territory which by their non-recognition of "Manchoukuo" can be considered by inference as still part of China. On the other hand Russia may be unwilling to commit herself on non-recognition because of some scheme of diplomatic trading with Japan wherein Soviet recognition of "Manchoukuo" may be exchanged with the Japanese for something especially desired by Moscow.

6. Foreign Experts for the National Economic Council.

On November 21st three more foreign experts arrived in China to be advisers to the National Economic Council (see G-2 Reports No. 8679, par. 8, and 8686). These were Sir Arthur Salter, the British economist and formerly with the League of Nations, Professor Monnet (French), and Mr. Drummond, a son of Sir Eric Drummond, the former Secretary-General of the League of Nations and now British Ambassador to Italy.

The three advisers were met by T. V. Soong and are being entertained by him. Their date of departure for Nanking has not been announced. Their arrival increases the number of foreign advisers to the N.E.C. to four, Dr. Rajchman having come to China some weeks ago.

As previously mentioned (see G-2 Report No. 8689), Mr. Soong is carrying out his plan of continuing to function on the Standing Committee of the National Economic Council even though he has resigned his post as Minister of Finance.

While it is certain that the Japanese are watching the activities of these experts very closely, they have not given publication recently to any statements reference the League advisers.

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COMMENTS ON CURRENT EVENTS

November 23 - December 7, 1933

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1. Nanking and the Fukien Revolt.
2. Situation in Manchuria.
3. Conference of British Military Attaches.
4. Japan's Budget for 1934.
5. Departure of Sir Miles Lampson.
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1. Nanking and the Fukien Revolt.

The Fukien situation continues to occupy the center of the Chinese political-military stage. Kwangtung is still believed to be the vital element (see G-2 Report No. 8698, item 1) and present indications point to its holding aloof from this rebellion against the Central Government. This position became definite when on November 22nd the Southwest Executive Committee of the Kuomintang declared that the Canton authorities would not participate in the new regime in Fukien. This telegram calls the Fukien movement a rebellion, externally seeking close relations with Japan and joining hands with the communists.

It is thought in Canton that the first objective of the Fukien party will be to invade Kwangtung but it is the belief of this office that the 19th Route Army will be far too worried by the threat of action from Chiang Kai-shek to take any offensive action to the south. This belief is confirmed by the continued movement of units of the 19th Route Army to northern Fukien (see G-2 Report No. 8705). The break with Nanking seems to be quite complete and an amusing angle of the controversy was the haste on the part of the Nanking Government on November 23rd to dismiss Generals Chen Ming-shu and Li Chai-sum and Mr. Eugene Chen from membership in the Kuomintang when at the same time Generals Chen Ming-shu and Tsai Ting-kai were issuing a circular telegram formally announcing their withdrawal from the Party!

Meanwhile the Nanking Government is endeavoring to reinforce its position and on November 27th Mr. Tai Chi-tao, President of the Examination Yuan, officially confirmed the report that the Government was going to send delegates not only to Hongkong to interview Hu Han-min but also to other important political centers with a view to explaining further the views of the Government and to urge concerted action against Fukien.

There have been various rumors in North China regarding possible refusal of some of the leaders to work with Chiang Kai-shek but these have been quieted by the sending of telegrams to the Central Kuomintang, Lin Sen, and Chiang Kai-shek on November 25th by a number of important personages in the North. These messages were sent under the sponsorship of General Ho Ying-chin, Minister of War, who is now in Peiping, and were also

signed by Han Fu-chu, Shantung Chairman; Sung Che-yuan, Chahar Chairman; Yu Hsueh-chung, Hopei Chairman; Hsu Yung-chang, Shansi Chairman; Fu Tso-yi, Suiyuan Chairman, and all the leading figures of the former Northeastern Army.

Latest reports from the South indicate that Chiang Kai-shek has appealed to the 19th Route Army to clear up the situation in Fukien and has given them a week to overthrow the "bogus government".

Concerning the widely reported plan of General Chiang Kai-shek in sending a large squadron of military planes to Fukien to launch a large scale aerial bombardment on the rebel troops there, a spokesman of the Central Government has announced that the Generalissimo is giving the rebels, especially the 19th Route Army, time to show repentance before such a drastic measure will be taken. However, some Nanking planes have been over Fukien and it is reported that they dropped several bombs in Chuanchow (see G-2 Report No. 8705).

The spokesman also declared that aeroplanes had during the last two days been sent to Fukien, dropping handbills of warning, urging the 19th Route Army not to be misled by the secessionists and giving them one week's time to consider their stand. "If the one-week limit expires and no reply is forthcoming", the handbills say, "we shall be obliged then to destroy 'both the gem and the stone'" - in other words, the good along with the bad.

After emphasizing that the air force of the Central Government could easily annihilate the Fukien rebels, the spokesman explained that originally the Government intended to take that measure immediately, but because of the fact that the secessionist movement in Fukien was only the revolt of a few disgruntled militarists and politicians, the Central Government later thought it would be unjust to bomb the rebels as well as those who were innocent.

Of course the factor of most interest at the moment is the effect of the Fukien trouble upon the Central Government. Weakened by the resignation of T. V. Soong, the Government's financial position is none too secure particularly in the light of possible increased needs for military expenditures against Fukien. H. H. Kung, the new Minister of Finance, has hardly had time as yet to realize the difficulties of the task he has undertaken.

Lo Wen-kan, whose resignation as Foreign Minister has been anticipated ever since he left for Sinkiang, has returned to Nanking and has definitely relinquished his portfolio. It is understood that he will resume his post as president of the Judicial Yuan. Other changes in the Government are to be expected and no one envies Chiang Kai-shek in undertaking to reassert his own political ascendancy.

2. <u>Situation in Manchuria</u>.

Despite the agreement of Mr. Hirota and M. Yurenev concerning the necessity for improving Russo-Japanese relations (see G-2 Report No. 8689) little appears to have been accomplished

and no word has appeared concerning the negotiations for the sale of the Chinese Eastern Railway.

It is certain that the Japanese are much exercised about conditions along the Manchurian border and Soviet "defensive" activities in Siberia. General Koiso, the able Chief of Staff of the Kwangtung Army, has just returned from an inspection of the Manchurian-Soviet border along the Sungari River. This is the sector which most worries the Japanese as it is the vulnerable north flank of the vital strategic Khingan (Hsing An) mountain position and a successful thrust to the south from the Sungari would make Japan's strongest bulwark against Russia untenable and would strike at her main line of communications in North Manchuria.

Other causes for Japanese uneasiness have been reports of Russian railway construction extending into northwestern Mongolia. There is great difficulty in securing information concerning that territory and no doubt the recent sending of priests into Mongolia by the Japanese and their plans to encourage young Mongol boys to go to Japan for their education are designed to better Japanese contacts and provide more accurate intelligence sources, as well as aid in counteracting Russian influence in territory adjacent to "Manchoukuo".

3. Conference of British Military Attaches.

There is continued evidence of British interest in Manchuria and during the past few days Lieutenant-Colonel V.R. Burkhardt, British Military Attache in Peiping, has had conferences in Dairen with Colonel E.A.H.James, the Military Attache in Tokyo. Also present at this conference was Major Gordon E. Grimsdale who has been making a tour of China prior to his return to England to take charge of the Far Eastern Section of the War Office in London. After a trip through Manchuria with Colonel James, Major Grimsdale will proceed to London via Siberia. Colonel James plans to return to Tokyo via Dairen.

4. Japan's Budget for 1934.

Press reports have carried much information regarding disagreements in Japanese official circles over the Army and Navy estimates for the year 1934.

The Chinese papers have been speculating upon the meaning of the final amount of Yen 487,000,000 fixed for the Navy and Yen 449,000,000 for the Army. There is always the feeling among the Chinese that Japanese military and naval expenditures have an ulterior motive toward China and in the light of past events one can easily understand this viewpoint.

It is the belief of this office that Japan is far more concerned with consolidating her defensive position in Manchuria vis-a-vis Russia than with any plan for further territorial aggressions upon China proper at the present moment.

5. Departure of Sir Miles Lampson.

Sir Miles Lampson, who has been British Minister to China for the past seven years, left on December 4th for Shanghai by airplane. Sir Miles has been appointed to be High Commissioner in Egypt and leaves China with the reputation

among the Chinese of being one of the most popular and trusted foreign ministers who has ever been in China. He has been of great value to his country and has done much to break down the "die hard" attitude of British "old China hands" and to aid in the establishing of more friendly relations between Great Britain and China (see G-2 Report No. 8622, par. 5.).

6. Nanking Train Ferry.

The Nanking Train Ferry Service was formally inaugurated at Hsiakwan at 9:30 o'clock a.m., October 22nd. The ceremonies were held on board the new ferry steamer, "Chang Kiang", under the chairmanship of Mr. Ku Meng-yu, Minister of Railways, and in the presence of over 2,000 officials and representatives of various public bodies. The Chinese and British members of the Board of Trustees for the British Boxer Indemnity Refund were also present.

The ferry was built in England and came out to China under its own power. During the inaugural trip, three railway coaches and a locomotive were run across on the vessel from Nanking to Pukow in twenty-five minutes. Prior to the arrival of this ferry there was considerable inconvenience in transporting passengers and baggage across the Yangtze River. Now the same cars may run straight through from Peiping to Shanghai (see G-2 Report No. 8400 for detailed description of ferry). Slips have been built on either side of the river on spur tracks from the main stations at Pukow and Nanking. These slips are slanted down river to help in docking against the swift current. They are apparently well built of reinforced concrete and steel and should stand up under normal Yangtze River conditions.

While the use of this ferry will not shorten the running time from Peiping to Shanghai, it will be a great convenience in handling baggage and passengers. The change was sponsored mainly by the military for its obvious use in moving rolling stock across the Yangtze. Since there is only one boat of this type any accident may well cause delay in traffic as it is not believed that a reserve of cars can be kept on each side of the river to insure holding express trains to schedule in case of a failure of the ferry. It is proposed to purchase another ferry, but arrangements have not yet been made. It is understood that the engines will not make the complete run but will be kept on either side of the Yangtze as at present.

7. Sino-French Treaty.

According to reliable information the negotiations between France and China relative to a Sino-French commercial treaty for Annam have reached an impasse. Apparently the negotiations were proceeding very satisfactorily when the Chinese Government placed an import duty upon rice in addition to the Canton rice surtax. This is given as the reason for the departure from the South of M. Wilden, the French Minister, who returned to Peiping on December 2nd. M. Wilden leaves for France on December 11th and the intricacies of the Annam treaty will have to be worked out by the new Charge d'Affaires, M. Hoppenot, recently arrived from Berne. The French Military Attache, Lieut. Colonel A. Bonavita, is still absent on an extended tour of the country but it is not believed he has any connection with this particular enterprise.

8. Mongolian Autonomy.

Details as to the terms of the agreement between the Nanking Government and the Mongols are still lacking but a satisfactory conclusion of the visit of the Government Mission of Good Will and Inquiry to Inner Mongolia has been reached, according to Mr. Li Sung-feng, one of the officials attached to the Mission, who has just arrived in Peiping from Kweihwa.

Mr. Li told Chinese pressmen that as the result of the activities of General Huang Shao-hsiung, head of the Mission, the Mongolian people and the National Government would be able to understand each other's point of view concerning the self-government aspirations of the Mongols.

Prince Teh, Mr. Li continued, has completely abandoned his original demands for absolute Mongol autonomy, following General Huang's explanation of the intentions of the National Government.

General Huang Shao-hsiung left Kweihwa accompanied by General Fu Tso-yi on December 3rd for Taiyuan, Shansi, where he conferred with General Yen Hsi-shan. Satisfactory conversations are reported to have been held regarding results of the tentative agreement on autonomy of Inner Mongolia and Shansi's attitude toward the Fukien trouble. General Huang left Taiyuanfu on December 7th and is expected to arrive in Peiping on December 8th. After conferring with officials here he plans to leave for Nanchang to report to General Chiang Kai-shek.

9. Japanese Attitude Toward China.

In the last two weeks there has apparently been no progress in the bettering of Sino-Japanese relations. Following the instructions of the Central Political Council to Huang Fu to break off his negotiations in North China, there has been a reorganization of the Peiping Political Readjustment Council. This became effective on December 1st and according to confidential information from a member of the Council, over fifty persons in various capacities were discharged. It is understood that Wang Keh-min (Minister of Finance in the days of Wu Pei-fu) was one of the prime movers behind the change and it would seem that he gained by the transaction since he becomes Chief Councillor. Mr. Ho Chi-kung (former Mayor of Peking, 1928-1929) will retain his post as secretary-general and the financial and political departments will be abolished, being replaced by a board of councillors and an investigation committee headed by Wang Keh-min and Hsu Ting-wen respectively. The results of this reorganization are not yet apparent but it is learned in confidence that the attitude of the Council towards Japan will be the same, i.e., the conciliatory policy of Huang Fu will be continued.

In this connection, the visit of Mr. Li Cheh-I, former member of the now defunct Luantung Retrocession Commission, to Japan and Mukden is causing much speculation. According to the local Chinese press the purpose of Mr. Li's trip is to exchange views with the Japanese military authorities concerning the retrocession of the various major passes along the Great Wall

and the withdrawal of Manchoukuo troops from Malanyu, a district situated this side of the Great Wall. It will be remembered that despite his denial that he was entrusted with any official mission, the Japanese press described Mr. Li as a goodwill messenger of General Huang Fu on his arrival at Tokyo early this month. Mr. Li is a returned student from Japan and assisted General Huang in his negotiations with the Japanese last May leading to the conclusion of the Tangku truce agreement.

The vernacular press has been commenting of late on the possible return of Chang Hsueh-liang and a press telegram has just been received from Shanghai stating that he will arrive there on January 8th. It is known that the Young Marshal has for some time wished to return to China and it is learned from a reliable source and to be treated confidentially, that Chang wired to T. V. Soong some days ago asking him to intercede with Chiang Kai-shek with a view to Chang's early return. Soong is said to have cabled back to the effect that he had resigned his position in the Cabinet but that he would forward the request to Chiang Kai-shek. Chiang however refused to listen. Later the Generalissimo was approached again by other friends of Chang Hsueh-liang and this time his answer was not a positive refusal. Upon hearing this, General Wan Fu-lin and Wang Shu-han immediately left the North for Nanchang for the purpose of finding out from Chiang Kai-shek just when the Young Marshal could return with the approval of the Government, where he would be allowed to go, and what position might be offered to him.

General Wan Fu-lin is commander of the 53rd Army and an old Mukden military leader. Wang Shu-han was formerly Chinese Secretary to the Young Marshal and is now one of the three members at the head of the newly formed Discussion Commission on North China Economic and Political Conditions formed as the result of the reorganization of the Peiping Political Readjustment Council noted above. In the light of these events the recent return to Shanghai and the hurried trip to North China of Mr. W. H. Donald (British), the confidant and Economic Adviser of the Young Marshal, is significant.

It is not understood just how the present friendly policy of Huang Fu towards the Japanese can be reconciled with any plan on the part of the northern politicians for the return of Chang Hsueh-liang, long a target for Japanese opposition. There have been rumors that he might head the Air Ministry or be placed in charge of developments in the Northwest (see G-2 Report No. 8666). It is known that Colonel Shibayama, the Japanese Military Attache in Peiping, told a high military official here that he thought Japan would not seriously oppose the return of the Young Marshal as long as he stayed south of the Yangtze River. However, on December 7th this same Japanese official told the Chinese press that in view of the fact that the Sino-Japanese situation had not been clarified and because of the Fukien trouble, he thought the Young Marshal should not return to China just now.

The Fukien trouble may possibly have influenced Chiang Kai-shek to lessen his opposition to the Young Marshal's return since it would have been very easy for Fengtien commanders to intimate that there might be trouble among former Northeastern

troops. This would not be welcome news to Chiang just at the time when he might be called upon to conduct a campaign against the 19th Route Army, and it is believed that this is what may have actually happened. However this may be, the actions of the Young Marshal are being watched with renewed interest and it remains to be seen whether he will actually return from Italy as noted above or whether he will continue his travels abroad.

Of special interest in considering the attitude of Japan towards China is a Reuter's despatch from Tokyo which states:

> "It is officially stated that 'maintenance of Japan's traditional policy of no interference with the internal affairs of China', together with an attitude of careful watching but with firm determination to protest Japanese lives and interests, was the gist of the instructions sent by the Foreign Office to the Japanese Minister and consuls in China on receipt of official despatches concerning the independence movement in Fukien."

Then on December 1st, Mr. A. Ariyoshi, Japanese Minister to China, called on Wang Ching-wei, Acting Minister of Foreign Affairs, and is supposed to have verbally clarified the Japanese attitude towards the Fukien situation, emphasizing the two points quoted above. Thus we seem to have the outward official attitude of the Japanese Government clearly stated for the present.

On the other side we have the statements of Mr. Yotaro Sugimura published in the "Osaka Mainichi" which would seem to run more in accordance with traditional Japanese policy. Mr. Sugimura, a veteran diplomat and former Deputy Secretary-General of the League of Nations, has just returned to Japan from an extensive tour of Manchuria and China, and his suggestions which were submitted to Mr. Hirota, the Foreign Minister, are therefore of interest. These are quoted from the Japanese press as follows:

> "1. The National Government at Nanking is confronted with serious financial difficulties and its resources have become exhausted through the anti-communist campaign. Nanking's control of the whole of China proper is impossible, therefore Japan's policy in the future should be based on the recognition of other authority than that of the National Government of China. Other suitable policies than that at present pursued should be tried.
>
> "2. Encouraged by the declaration of independence by "Manchoukuo" and Fukien, many disruptive forces in various provinces of China are increasing their agitation against the present Government. Japanese should therefore strengthen her diplomatic organizations in order to consolidate her relations with these forces.
>
> "3. China has suspended her anti-Japanese movement because of the fact that the various European and American powers were paralyzed by their own economic troubles and were unable to help China. Nevertheless the pro-Japanese forces in the various localities are still weak. Therefore Japan should give material and moral support to these pro-Japanese forces, and endeavor to establish cordial relations with them.

"4. Japan should insist that the raising of the Chinese tariff schedules is harmful both to Japan and China, because one of its effects is to encourage smuggling.

"5. The records in Manchuria after the creation of "Manchoukuo" provide a good example to the whole of China. Japan should take China proper into consideration when carrying out her "Manchoukuo" policy.

"6. Japan should no longer stimulate hatred on the part of the Chinese people. She should adopt a policy aiming at a union of nations."

A considerable amount of Chinese opinion feels that Japanese money and the visit of Mr. Sugimura to South China were responsible for the outbreak of the Fukiem trouble and it is well known that the geographical location of Fukien makes it of great strategic interest to Japan. Also there is no doubt but that Japan would be glad of any defection from the Nanking Government such as the Fukien rebellion, as it would be one more brick pulled from the foundation of a unified China - the one thing which Japan fears as an obstacle to her aspirations. However, while these facts may be accepted as self-evident, there is as yet no actual proof that the Fukien trouble was instigated by the Japanese. There is always the possibility that such aid may now be given and developments in that area will be watched with much interest.

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Office of the Military Attache, American Legation, Peiping, China, December 7, 1933 - To: The Chief, Military Intelligence Division, Washington, D.C.

Approved.

W. S. Drysdale

W. S. Drysdale
Lieutenant-Colonel, Infantry
Military Attache

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COMMENTS ON CURRENT EVENTS

December 7 - 21, 1933.

RECEIVED G/2 W. D. JAN 17 1934

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1. Nanking and Fukien.

The Nanking Government is continuing its policy of striving for the political isolation of Fukien rather than adopting punitive military measures against the rebel government. Chang Chi, Ma Chao-chun, Wang Lu-i and Chen Shao-ying, all prominent members of the Kuomintang, were sent to the South to endeavor to effect a rapprochement with the Southwestern leaders. They visited Hu Han-min in Hongkong, and Chen Chi-tang and other prominent political personages in Canton. They also visited Kwangsi to interview Generals Li Tsung-jen and Pai Chung-hsi.

Mr. Chang Chi gave out a statement to the press that the purpose of his mission was as follows:

1. To bring the sincere good will of the Central Government to the Southwest.
2. To explain fully the political affairs of the Central Government.
3. To exchange opinions with the Southwestern leaders concerning the present political situation.
4. To discuss measures with the Southwestern leaders for the settlement of the Fukien problem.
5. To invite the C.E.C. members now in the Southwest to go to Nanking to attend the Fourth Plenary Session of the Central Kuomintang, so as to work out a concrete programme for the tiding over of the national crisis.

Hu Han-min, former President of the Legislative Yuan, is stated to be a stumbling block in the success of the mission. It is learned confidentially that Hu has now been requested to resume an important post in the Government, presumably the place of Lin Sen, Chairman of the National Government. Should Hu be prevailed upon to return to Nanking, which seems improbable, it would have a stabilizing influence on South China political opinion and be of great value to the Central Government.

Added to the troubles of Chiang Kai-shek has been the persistent desire of the Young Marshal to return to China (see G-2 Report No. 8708, item 9). Worried by the possibility of trouble from the old Fengtien troops, Chiang Kai-shek has apparently acquiesced in the return of Chang Hsueh-liang, who sailed from Italy on December 16th, according to press notices.

That his destination is China is made practically certain by the departure for Shanghai of General Tang Yueh-liang (graduate of U.S. Quartermaster School, Philadelphia), trusted aide of the Young Marshal.

Young Chang is trying to strengthen his case with Chiang Kai-shek for on the same boat is sailing Major Mario di Bernardi, a well known Italian aviator (see G-2 Report No. 8612). Press rumors are divided as to whether Bernardi will be an aviation adviser and instructor for the National Government or whether he will be in the service of the Young Marshal.

Meanwhile, rejoicing in every difficulty of the National Government and of those who control its destiny, the rebel government in Fukien appears to have reached more than a non-aggression agreement with the Communists in Kiangsi. According to the Chinese press a pact has been signed between Generals Chen Ming-shu and Li Chai-sum for the Fukien Government and Communist leaders as follows:

Art. 1. The territory under the influence of the Communists shall be left untouched by the bogus government and be developed by the Communists themselves on their own accord.
Art. 2. The Communists shall put up stubborn resistance if Fukien is invaded by Kwangtung troops from the direction of Shanghang and Wuping.
Art. 3. The Fukien Government shall provide the Communists with a subsidy of $300,000.
Art. 4. The Fukien Government shall supply the Communists with provisions and other necessities.
Art. 5. The Fukien Government shall grant special rights to farmers, laborers and soldiers.
Art. 6. The Fukien Government shall not engage in anti-Communist activities or propaganda.
Art. 7. The Fukien Government shall adopt the Communist policies for development of the regime.
Art. 8. The Fukien Government shall liberate all prisoners arrested on charges of Communism.
Art. 9. The Fukien Government shall stop its blockade against the Communist territories.
Art. 10. Chienning and Tinglung in Fukien and surrounding territories shall be garrisoned by the Communist troops.
Art. 11. The Fukien Government shall be responsible for military activities against Chekiang while the Communists shall be responsible for military activities against Kwangtung.

The success or failure of the Fukien revolt still seems to rest on whether or not Kwangtung remains loyal to the National Government (see G-2 Report No. 8708). If the delegates and representations of Nanking offer enough to the South-West political group, the situation is saved. Otherwise the entire structure of the National Government under the Kuomintang is endangered and the hope of a unified China will be again destroyed by the personal antagonism of individual leaders against Chiang Kai-shek.

Meanwhile the Generalissimo is striving to hold off taking military action against Fukien until the meeting of the next session of the Kuomintang Congress scheduled to convene on January 20, 1934. If he can successfully delay until then he will shift the responsibility for military operations against Fukien on to the shoulders of the party and so escape any personal blame for the decision.

2. Kung Raises Funds.

Dr. H. H. Kung (Kung Hsiang-hsi), the new Finance Minister, who stepped into a most difficult office upon the resignation of his brother-in-law, T. V. Soong, has had his hands full meeting the increased demands for funds. These have been made more necessary by the Fukien revolt.

It is understood that in addition to the increase of the tax on cigarets and matches, Mr. Kung plans generally to raise the excise rates on cement and coal and to provide for a modification of the present schedule of Customs duties. Chinese sources estimate that an increase of twenty million dollars silver will be brought in to governmental coffers under this plan. The new rates of excise on cigarets, matches and cement come into force from the 5th inst., while the increase of customs rates will probably be started on the 20th.

Mr. Kung is reported to have just concluded a new loan of fifteen million silver with Shanghai bankers, offering the receipts from the new cigaret tax as security. He stated to the press that as the scheme is only for experimental purposes for a period of six months, the approval of the Legislative Yuan was not necessary at this time.

The action of Mr. Kung is considered unusual and the results of the tax increase will be watched with much interest. If he succeeds there is nothing to prevent the placing of additional taxes on all sorts of articles for experimental periods of six months each! This will no doubt help the financial condition of the Government but will not increase its popularity among the Chinese people whose struggle for existence is already reaching the breaking point.

In addition to his work as Minister of Finance, it is reported that Mr. Kung will be made an additional member of the Standing Committee of the National Economic Council (see G-2 Report No. 8686). It will be remembered that the Standing Committee of the N.E.C. is now composed of T. V. Soong, Sun Fo and Wang Ching-wei. The addition of H. H. Kung will insure continued cooperation between the Finance Ministry and the N.E.C. Chiang Kai-shek has been selected as the fifth member of the Committee.

3. Sino-Japanese Relations in North China.

The outward calm of events in North China has been disturbed by an advance of Japanese and "Manchoukuo" forces toward the Great Wall in the vicinity of Tushihkow. A glance at the map will show that at the most northern loop of the Great Wall the Chahar boundary is not along the Wall but east of it.

It is into this strip of Chahar between the Wall and the Jehol border that the Japanese are operating to "suppress bandits". Colonel Shibayama, the Japanese Military Attache, has stated that these forces will be withdrawn as soon as the bandits are dispersed, but many Chinese fear that the move is indicative of another drive into China. It is significant however that Colonel Shibayama stated that Japanese troops had not crossed the borders of Manchoukuo. It may be presumed that from the Japanese viewpoint the border is the Wall itself.

No progress is apparent in Sino-Japanese negotiations in the North since their recent cessation (see G-2 Report No. 8698) and all reports indicate that both sides appear to be avoiding any definite move. Thus the whole question of retrocession of the Great Wall passes is dragging along due to "certain minor details". The passes in question, however, remain in Japanese hands, as does the city of Shanhaikwan. In this case the discussion is about a small section of the town which has grown up outside the main Wall but within a loop wall. The Chinese of course wish to control this section, while the Japanese consider the main Wall as the boundary line. It is believed that this loop section will constitute a special Japanese development project which will be reported on later.

The railway traffic question on the Peiping-Liaoning Railway is still in the balance. Mr. Yin Tung, the Managing Director, is now in Nanking discussing plans for the resumption of Peiping-Mukden through traffic. Mr. Yin recently stated to the press that "regulations governing the running of the service have been carefully worked out by the Central authorities, and under no circumstances shall we accept any articles detrimental to the interest and sovereign rights of our country". Whatever has been worked out the Nanking Government appears very reticent to announce and hopes for resumption of through trains by January 1st are not considered possible.

Faced by the unwillingness of the Chinese to negotiate further due, this office believes, to internal governmental troubles in Nanking over the Fukien revolt, the Japanese seem to be indulging in a little saber rattling to push the Chinese to continue the former diplomatic bargaining. Thus the drive into Chahar would seem explained as would the increased military activity of the Japanese in the past few days in the Shanhaikwan area. Despite these indications and the fears of the Chinese, this office does not feel that another Japanese advance in force into North China is to be expected in the near future. It is believed that the only thing which might bring on such a move at this time would be for the Chinese to make an open break with Japan, which seems most unlikely at present.

4. <u>Autonomy for Mongolia?</u>

General Huang Shao-hsing, Minister of Home Affairs and head of the governmental mission to Inner Mongolia (see G-2 Report No. 8708) returned to Peiping and after conferences with important officials left for Nanking. On his way he paid a short visit to General Han Fu-chu, Chairman of Shantung.

According to the best available information, tentative agreements have been reached between the Nanking representatives and the Mongol Princes which include the following:

1. Inner Mongolia should be divided into a number of Autonomous Districts, bearing the titles of the First Autonomous District, the Second Autonomous District, and so on. An administrative body will be established in each of the Autonomous Districts.
2. The First Autonomous District should consist of the Ulan-tsab and Iehedzu Leagues, and the Second Autonomous District should consist of the Chahar Tribe and the Silingol League. Other territories (referring to the lost territories in Eastern Inner Mongolia and the small tribes in Western Inner Mongolia) will be included in the Third and Fourth or more Districts.
3. The Autonomous Districts should be controlled directly by the Executive Yuan at Nanking. The official transactions in connection with the various provincial administrations should be carried on with the cooperation of the respective provincial authorities.
4. The Autonomous Governments will control the administrative affairs of their respective districts.
5. The monthly expenditure of the various districts should be provided for by the National Government.
6. A joint committee should be formed to discuss the affairs common to all the districts.

General Huang seems outwardly well pleased with his Mongolian trip and the only discordant note was heard when reports emanated concerning a telegram purported to have been sent by five of the leading Mongol Princes declaring that the agreements signed at Pailingmiao had been rejected. Whether this represents an actual change of heart of the Mongols or only the last word of a disgruntled minority is not yet clear.

It is understood that after General Huang has had an opportunity to report to the Government concerning his mission, that a conference of representatives of the Mongol leaders and of the various governmental agencies concerned will be convened to draft detailed measures for the institution of local autonomy in Inner Mongolia. It remains to be seen whether an agreement can be reached which will be satisfactory to both sides. A very well informed foreigner who has lived some time in Mongolia stated to this office that unless some terms could be made to satisfy the Mongols he expected them to take armed action against the Chinese during the coming winter.

5. <u>American Minister Inspects</u>.

The American Minister returned to Peiping on November 17th from an inspection trip of consular offices in South China. He was accompanied by Mr. C. J. Spiker, the Chinese Secretary of the Legation.

While away from Peiping, Mr. Johnson visited Nanking, Shanghai, Hongkong, Canton, Amoy and Swatow, where he had the opportunity of renewing friendships with many prominent Chinese officials. The first American Minister to China who can speak Chinese, Mr. Johnson is able to make contacts and maintain friendships among the Chinese which no foreigner without the language can approximate.

6. China Congratulates Siam.

When the news was received in Nanking that the Siamese constitution had been promulgated, the Minister of Foreign Affairs sent a message of congratulation to Bangkok. The Siamese Minister of Foreign Affairs replied by cable expressing the thanks and appreciation of the Siamese Government and sending best wishes for the peace and prosperity of China.

7. Japanese Difficulties in Manchuria.

The railways in Manchuria have been the center of news interest during the past two weeks, particularly the Chinese Eastern and the South Manchurian. The vital transportation arties of that great area, through which its life flows, have assumed new importance since the Japanese conquest. For the present Japan's interest is purely strategic and as such her first step is to acquire military control over the railway system.

Pulling the strings for the puppet state of "Manchoukuo", Japan has been engineering negotiations with Russia for the sale of the Chinese Eastern. Apparently an impasse has been reached and Japan's threats of offering her good services towards satisfactory negotiations have failed to materialize. The Russians claim that the Manchurian representatives are committing sabotage with a view to obstructing the operation of the railway. They claim that the Manchurian assistant chief of transportation, Tian Hsi-fu, together with Mr. Sato, a Japanese counselor of "Manchoukuo", have brought the line to such a state that it is on the verge of collapse. This statement is no doubt true.

Then there have been several occasions when the express trains have been derailed, supposedly by bandits. The Japanese are said to be very much worked up over this point and to contend that no "foreign owned railway ought to be allowed to exist under such conditions". The obvious solution from the Japanese point of view would be for them to take over the Chinese Eastern themselves and put a military guard on it. Thus we have the two sides of the question and no satisfactory solution appears possible at an early date.

The Chinese Eastern Railway Commercial Agency in Tientsin and other places have seen the handwriting on the wall and their managers have been instructed to close the offices. This is in accordance with demands made by "Manchoukuo" participation in the management.

The other major railway problem in Manchuria is really a domestic one for Japan and concerns the so called reorganization of the South Manchuria Railway. This line with its allied activities was, before September 18, 1931, the chief instrument of Japan in exploiting Manchuria. Since the establishment of "Manchoukuo", the Kwantung Army has been trying to take control of the S.M.R. in order to complete its policy of strategic unification. This matter is now under discussion (see G-2 Report No. 8689, item 4) and if concluded as desired by the Japanese Army, the reorganization will be put into effect next spring.

From what can be learned it appears that the whole plan of the Kwantung Army aims at control of all industries in Manchuria preparing for what has been called the "critical year of 1936". This will establish a military dictatorship over Manchuria and will make any recovery of Manchuria by China most difficult. Even the Chinese who do not hope for recovery of the "lost provinces" feel that Manchuria if completely under Japanese Army domination will be a still greater menace to the integrity of China than "Manchoukuo".

S. V. Constant.

S. V. Constant
Major, Cavalry
Assistant Military Attache

No. 8720 1st Ind. WSD:elh

Office of the Military Attache, American Legation, Peiping, China, December 22, 1933 - To: Chief, Military Intelligence Division, Washington, D.C.

Approved.

W. S. Drysdale

W. S. Drysdale
Lieutenant-Colonel, Infantry
Military Attache

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COMMENTS ON CURRENT EVENTS

2055-622

December 21, 1933-January 4, 1934

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WAR DEPARTMENT
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2. Chinese Military Attaches
3. Volunteer Funds
4. The Young Marshal Due in Shanghai
5. Death of the Dalai Lama
6. Litvinoff and Japan
7. Italian Interests in China
8. An Emperor for Manchoukuo?

1. Problems of the National Government.

The officials of the National Government can well breathe a sigh of relief over the close of the year 1933 which they officially celebrated according to the foreign calendar. The Fukien trouble which finished the year, however, is still unsettled as is the ever present Sino-Japanese problem. Chiang Kai-shek therefore should look forward to the new year with the assurance that it will be the most difficult through which he has been called upon to pilot the Nanking governmental ship of state.

Realist to the core, as are all Chinese, Chiang is trying to solve the Fukien puzzle first since it is nearest to home. The Japanese question, though more important nationally, will be handled according to the traditional principle of procrastination, hoping that time will solve the matter and make embarrassing decisions unnecessary. Whether or not the Japanese will permit this is another question. It may be that they are content to extend quietly their influence in the North while Nanking's hands are tied by civil war. Then too it must always be realized that from time immemorial the Chinese government has looked to its border regions for the bulk of their own self defense. True, this has always been insufficient but the custom has grown into almost a policy. There is only the spirit of the defensive present as yet in China.

So in the Fukien campaign lack of offensive has been evidenced from the first. Chiang has been trying to delay positive action until the Kuomintang Congress meets (see G-2 Report No. 8720, item 1). Such sporadic bombings and outpost skirmishes as have taken place have been half-hearted measures taken only with the hope that the pen might prove mightier than the sword and that some compromise might be arrived at before the Government was committed to a war. There is no doubt that as far as men, materiel and money are concerned, Chiang Kai-shek is far superior to the Fukien regime. If the will to fight were present in men and leaders, the Fukien revolt would soon be ended. The matter, however, is far deeper than a merely military one and has its roots back in the ages of Chinese sectional and political intrigue fertilized by centuries of individualism. It is to be regretted that Chinese leaders such as are involved in the Fukien rebellion cannot forget the individual and back the government when such support is most needed.

From M/A, China Report No. 8728 January 4, 1934

The Nanking delegates who made a trip to the South (see G-2 Report No. 8720, item 1) have returned but no pronouncements of marked successes have been forthcoming. Sun Fo, former Mayor of Canton, made a "Christmas vacation" trip to Manila, the real purpose of which was to see Hu Han-min in Hongkong. While there Sun also had conferences with the Central Government delegates, and it is believed discussed mainly the proposals made by Hu Han-min. An interesting sidelight on Sun Fo's trip was his warning to the people of the Philippine Islands. He said that they should be on the alert to combat Japanese economic penetration which would soon be followed by political domination.

The statements of Hu Han-min have been followed by telegrams from the Southwestern leaders giving as a solution for the present trouble the return of the Fukien secessionists to the fold and the resignation of the present Nanking Government. So we have the Southwestern leaders seemingly behind Hu Han-min as against Chiang Kai-shek but yet unwilling to throw their lot in with the Fukien rebels.

Admitting that Chiang has been dictatorial in his administration, it is unfortunate that the other leaders cannot see that such has been necessary. Looking back over the past few years in China there seems little good to have been accomplished except by the exercise of just such action as is now drawing blame upon the Generalissimo's head. Unfortunately it is characteristically Chinese to be destructive rather than constructive and one who stands out by virtue of his accomplishments at once becomes the target for the "outs". They admire what Chiang has done but object to the way in which he has done it and fail to give him credit for what he and his associates are trying to do toward unifying China. The past year by no means has been entirely lost and the National Government has made progress which even ten years ago would have seemed impossible. However the feudal atmosphere still prevailing in China makes such advancement slow and many of these elements of discord are at present directed against Chiang Kai-shek. The Generalissimo will be a strong man indeed if he can successfully weather the present storm and the whole country looks with much interest at the approaching Kuomintang Conference scheduled to be held in Nanking on January 20th, when it is believed Chiang's power will be put to the test.

2. <u>Chinese Military Attaches.</u>

On December 19th the Executive Yuan announced the appointment of several military attaches as follows:

Tang Tze	to the	Chinese	Legation, Paris.
Feng Sheng-yun	" "	"	Embassy, Moscow
Chow Chi-min	" "	"	Legation, Washington.

General Chow was a member of the 1930-32 class at the Command and General Staff School, Fort Leavenworth, and is now head of one of the sections in the G-2 branch of the General Staff Bureau at Nanking. He is a close friend of Chiang Kai-shek and as a result of a very pleasant tour at Fort Leavenworth both he and Mrs. Chow are very friendly to Americans. They have two children, a boy born at Fort Leavenworth, and a girl about one year old. Mrs. Chow is very intelligent and speaks better English than her husband. General Chow will have the rank of Colonel while on duty as Military Attache in Washington.

3. Volunteer Funds.

An inquiry into the accounts of the persons administering the Volunteer Funds subscribed for use against the Japanese in Manchuria and Jehol has been started. One of the backers of this move is General Chu Ch'ing-lan, the aged philanthropist, who was nominally head of the organization in charge of the money. There appears to be no question as to the personal integrity of Chu Ch'ing-lan but it seems that there are irregularities concerning the accounts of General Chin Shu-jen, ex-Chairman of Sinkiang, and General Sheng Shih-tsai, Frontier Commissioner of the same province.

4. The Young Marshal Due in Shanghai.

According to Shanghai despatches, Chang Hsueh-liang will arrive there on the Conte Verde on January 8th (see G-2 Report No. 8720, item 1). There is considerable excitement among former Northeastern commanders and many are making preparations to be in Shanghai to greet the Young Marshal. His actions after arrival have not been announced but it is certain that they will depend entirely upon his ability to convince Chiang Kai-shek that his services will be valuable to the Generalissimo.

It has been announced that Shen Tso-tung (T. T. Shen, a French returned student), who accompanied the Young Marshal to Europe last April, is also on the Conte Verde and will return to Peiping. Mr. Shen is head of the Foreign Relations section of the Peiping Branch Military Council. During his absence his work has been carried on concurrently by Tsai Yuan, head of the Bureau of Social Welfare of the Peiping Municipal Government. Though a southerner, Mr. Tsai has long been loyal to the Young Marshal, having come to Peiping with him from Manchuria in 1926-1927 in the Foreign Relations section of the Fengtien Army.

5. Death of the Dalai Lama.

Following the death on December 7th of the 13th Incarnation of the Soul of the Dalai Lama, temporal ruler of Tibet, much interest is being evidenced as to political reactions in that section of the country. According to Yang Ya-nan, secretary of the Peiping office of the Panchan Lama, Tibet is now being governed by a triumvirate of Tibetan dignitaries. These three men now carrying on affairs of state on behalf of the soul of the Dalai Lama are Ssu Lun, who corresponds to Prime Minister; Ka Hsia, who is in charge of religious and civil judiciary affairs; and Yi Tsang, the Secretary General of the Lhassa Government.

According to Mr. Yang, the Dalai Lama was not poisoned as reported from London. Yang also stated that the Panchen Lama whom he represents will not leave for Tibet in view of the fact that of the two factions there, the one opposed to the Panchen Lama is still in control. It is learned that the latter intends to visit Nanking in the near future, no doubt to try and enlist the backing of the Central Government in a scheme for regaining greater power in Tibetan affairs.

The Central Government is also awake to the possibilities of greater influence in that secluded mountain territory following the passing of the Dalai Lama. This is evidenced by the announcement of Shih Ching-yang, Chairman of the Commission for Tibetan and Mongolian Affairs, to the effect that he hoped soon to set out for Tibet on a government good will mission.

Should Nanking be successful in arranging for the return of the Panchen Lama to Tibet (he has been in exile since 1924) he will become a tutor to the new Dalai Lama, according to Lama rule. In this position the Panchen Lama will have a chance to retain his lost power and this may be China's opportunity to re-establish better control in Tibet.

6. Litvinoff and Japan.

While the question of the sale of the Chinese Eastern Railway remains at a stalemate, Russo-Japanese relations become more unpleasant. Added fuel to the fire was the speech of M. Litvinoff on December 29th before the U.S.S.R. Central Executive Committee in which he noted with satisfaction the renewal of diplomatic relations with China and also assailed Japanese policy in Manchuria. He brought out the fact that Japanese actions in Manchuria were obviously intended to provoke the Soviet to sterner measures than protests, and stated that while Russia was taking only defensive measures Japan was preparing for an aggressive war.

The Chinese Eastern was also mentioned and M. Litvinoff brought out the point that Japanese actions to hinder operation of the railway were with a view to securing the road as a present. He further stated that despite assurances to the effect that Soviet interests in Manchuria would not suffer, the Japanese had directly worked against these interests as well as obstructing proper functioning of the C.E.R.

There is increasing feeling in the Far East to the effect that the firmer stand recently evidenced by Russia is the result of Soviet recognition by the United States.

7. Italian Interest in China.

There is every evidence of increased Italian interest in China. This has been stimulated by the appointment of Mr. H. H. Kung as Minister of Finance, who was treated royally on his recent visit to Italy (see G-2 Report No. 8672). There is every indication that Mussolini himself is interested, not only from his treatment of Kung and Chang Hsueh-liang, whom he decorated, but by his attention to the Congress of Asiatic students held in Rome on December 22nd. Press news from Italy reports the inauguration of the Institute for Middle and Far Eastern Affairs on the same date and also a newspaper campaign against Japanese imperialism, which makes no attempt to conceal Italian fears of Japanese commercial activities.

At the same time these events were taking place, several Chinese military missions have been touring Italy. One of these is an air mission under General H. W. Chan, which is returning to China on the Conte Verde with Chang Hsueh-liang, and Major Mario di Bernardi (see G-2 Report No. 8720, item 1). Another mission under General Chow Chih-ju is now in Rome.

General Chow was formerly one of Chiang Kai-shek's division commanders. General Yang Chieh, head of the Nanking War College, has also been in Italy accompanied by several other officers. While it cannot be proved that the original expenses of these missions were paid by Italy, yet there is every reason to believe that the courtesies shown them while in that country made their Italian tours both extensive and inexpensive.

The return of the Chinese air mission on the Conte Verde, which also carries Major di Bernardi and the Young Marshal, is the cause of considerable speculation and will be watched with much interest.

8. An Emperor for Manchoukuo?

Rumors again abound concerning the restoration of the Manchu dynasty in Manchuria with Henry Pu Yi as Emperor. At first reports were to the effect that January 1, 1934, was the date set for the crowning of Pu Yi, but since then it is understood that the date has been changed to March 1st, the third State birth anniversary of "Manchoukuo".

In this connection it is interesting to note that March 1st is the date on which the new constitution for the nation is expected to be ready. According to reports from Manchuria, the task of drafting such a plan has been entrusted to Dr. Chao Hsia-po, who has been in Tokyo studying the Japanese constitution prior to drafting a constitution for Manchoukuo.

As noted in previous reports, such a move on the part of Japan to re-establish Pu Yi as Emperor may be expected. Once this is done the making of Manchoukuo into a vassal state following the historical precedent of Korea is believed to be only a matter of time.

It is known that pressure is being brought to bear upon Pu Yi by the Japanese to take a Korean princess of the old Imperial line as a secondary wife. Only the violent objections of Pu Yi's first wife and the desire of the Japanese to avoid any rift in the lute at this particular time prevents an imperial scandal, possibly resulting in the elimination of Pu Yi's first wife.

Peiping is a hot-bed of old Manchu families and intrigue and periodic plots for restoration of the Manchu dynasty are ever being unearthed. Young Manchus of noble families have been recruited here as a corps elite to guard Pu Yi and some five hundred of these are now in Hsinking attending school.

When the Japanese decide the time is ripe there is no doubt that the Manchus will be put on the throne of "Manchoukuo". Whether or not the movement will be extended south of the Great Wall time alone will tell.

S. V. Constant.

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Major, Cavalry
Assistant Military Attache

No. 8728 1st Ind. WSD:elh

Office of the Military Attache, American Legation, Peiping, January 4, 1934 - To: The Chief, Military Intelligence Division, Washington, D.C.

Approved.

W. S. Drysdale

W. S. Drysdale
Lieutenant-Colonel, Infantry
Military Attache

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COMMENTS ON CURRENT EVENTS

January 4 - 18, 1934

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2. Death of Dr. C. C. Wu.
3. Tibetan Affairs.
4. Visit of Herr Planck.
5. Manchoukuo's Imperial Ideas.
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7. Manchurian Railways.
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1. The Fukien Rebellion.

Hopes of an early settlement of the Fukien trouble are bright, following reports of the fall of Foochow. Outmaneuvered militarily and politically the Fukien rebels are making a last stand with indications pointing to defeat.

Circumstances over which he had no control forced Chiang Kai-shek into limited military operations into Fukien prior to January 20th (see G-2 Report No. 8720). The use of the National Government air force apparently hastened the situation to such an extent that land advance by the government troops met with little resistance. From the conditions surrounding the fall of Foochow it would seem that the pen proved mightier than the sword and that the initial successes of Chiang's minor operations (see G-2 Report No. 8728, item 1) were exploited politically with good results.

An interesting military development has been the cooperation between the land forces and the navy in the capture of Foochow. The famous 19th Route Army, which had taken many Kiangsi Reds into its ranks, proved a distinct disappointment to those who were basing their hopes on a repetition of the fighting ability displayed against the Japanese at Shanghai. In Fukien the issue was purely a political one and the retirement of the 19th Route Army was undoubtedly the result of political negotiations hastened by judicious use of Nanking's air units, rather than due to superior fighting ability of the Nanking troops. When the defense line northwest of Foochow was reinforced and later abandoned, the Nanking navy, apparently in coordinated action with the National Government's land forces, occupied Foochow with marines unopposed.

The fall of Foochow puts practically half of Fukien province in the hands of Chiang Kai-shek. While the 19th Route Army and other Fukien forces remain to be negotiated with, the backbone of the Fukien rebellion appears to be broken. Kwangtung, which this office believed to be the key to the whole situation in the South (see G-2 Report No. 8698) is still unwilling to join Fukien against Nanking and might even be willing now to increase their control into southern Fukien at the expense of the 19th Route Army.

From M/A, China Report No. 8740 January 18, 1934

Chiang Kai-shek has gained considerably in the present cycle of events. Unwilling at first to take military action against Fukien without backing from the Fourth Plenary Session, events necessitated minor offensive action. These coupled with political maneuvers accomplished unlooked for results and Foochow has fallen to the Central Government forces.

It was rumored that the Fourth Plenary Session of the Central Executive Committee of the Kuomintang would be postponed from January 20th to a later date though authoritative sources now deny any delay. Whenever it meets, Chiang will be in a stronger position than had nothing been accomplished against the Fukien rebel government and he is expected to attend the session in person.

In preparation for the complete collapse of the rebellion, the Central Government issued a mandate on January 12th appointing General Chen Yi, Vice-Minister of War, to be Chairman of the Fukien Provincial Government. Though a German returned student, Chen is not well thought of by German advisers to the Nanking Government, who give him credit for very little ability. He has a Japanese wife which does not enhance his popularity with the younger officers of the Nanking military establishment, and it is thought by some of them that his appointment to the difficult position in Fukien may be a move to ease him gently from his figure-head position in the War Ministry.

2. Death of Dr.C. C. Wu.

Dr. C. C. Wu died in Hongkong from a sudden cerebral hemorrhage on January 2nd at the age of 48. He was the son of the late Wu Ting-fang, famous revolutionary leader and former Minister to Washington. C. C. Wu received his early education in the United States and took his college work in London University, England.

He has had a very prominent career in China but will be best known abroad for his work as first Minister of Foreign Affairs for the Nanking Government, his service as Chinese delegate to the League of Nations in 1929 and that same year his appointment as Chinese Minister to the United States. In 1931, Dr. Wu resigned his post as Minister to Washington due to differences of opinion with the Nanking authorities. Since that time he has been travelling in various parts of China, a sort of "stormy petrel" in Chinese politics. Friendly to the extreme South, he has been unwilling to accept office in the present Central Government regime.

Even those Chinese who are not in agreement with Dr. Wu's political ideas admire his accomplishments and ability. Dr. Wu's place on the International Court of Arbitration at The Hague is scheduled to be filled by Dr. V. K. Wellington Koo (American returned student), Chinese Minister to France.

3. Tibetan Affairs.

Realizing the opportunity furnished by the death of the Dalai Lama (see G-2 Report No. 8728), the National Government is endeavoring to regain lost prestige in Tibet. Services for the temporal ruler, the Dalai Lama, are planned to be held

in Nanking upon the arrival of the Panchen Lama, the spiritual leader of that vast province. Both the Panchen Lama and the Nanking authorities have everything to gain and nothing to lose if they can reach a working agreement which will be acceptable to the Tibetans. Neither have had any actual power in Tibet for some time and the former has been a virtual exile for the last ten years.

In accordance with this possible chance to retrench their position somewhat, the government issued a mandate on January 12th appointing General Huang Mu-sung as special delegate to Lhassa to offer sacrifices before the remains of the late Dalai Lama on behalf of the government. General Huang was born in Hupeh and is a graduate of the Tokyo Military Academy. He has been president of the War College and is now assistant chief of the General Staff Bureau. Huang is not without experience on special missions, as he was sent to Sinkiang in 1933 on such duty. It is rumored in governmental circles that General Huang later will be named Pacification Commissioner for Tibet should the situation be favorable.

The Panchen Lama, now in Inner Mongolia, is expected to come to Peiping soon on his way to Nanking. He is making every effort to repair his political fences so that he may be able to return to Lhassa. Despite reports of the selection of the fourteenth reincarnation of the soul of the Dalai Lama, no official confirmation has been received in Nanking.

4. Visit of Herr Planck.

Herr Erwin Planck, German Secretary of State under the von Papen and von Schleicher cabinets, is making an extended tour of Eastern Asia. Since March 1933 he has been visiting Kwangtung, Hupeh and Szechwan provinces.

So far Herr Planck has spent the longest time in Szechwan, staying at Chengtu for about two months. He gives as a reason for his tour a desire to learn about China.

5. Manchoukuo's Imperial Ideas.

According to Japanese reports the elevation of Pu Yi to the throne of Manchoukuo will be slightly postponed. Rumors of the restoration of the Manchu dynasty have been current for the past two years but particularly so during recent months.

The Japanese attitude was given quite clearly on January 14th when a spokesman of the Japanese Legation in Peiping stated that "the movement had been on foot in Manchoukuo for some time but that Japan was anxious to see the political condition of the country stabilized before anything else and discouraged the movement on the ground that it was premature"!

There has been no doubt for some time that Japan intends to establish some sort of an imperial regime in Manchoukuo and Japanese official sources have confirmed the report that Pu Yi will be Emperor of the new regime. The form of government and ascension to the throne of the rather pathetic puppet Pu Yi will come in time, perhaps even before March 1st, the day set for the promulgation of the new Constitution.

It is reported that Cheng Hsiao-hsu, the premier of the new state, will soon visit Japan to secure a tutor for Pu Yi. This will place a Japanese in even closer relationship to the "Little Emperor" and make the life of the Empress more unpleasant than at present. Manchu sources which have hitherto proved reliable state that she is constantly in fear of her life, and the belief that she has little to lose, no matter what happens, has been the cause of her opposition to the Japanese plan to give a Korean princess to Pu Yi as a second wife (see G-2 Report No. 8728, item 8).

The same Manchu sources also state that lucrative positions are being offered former Manchus if they will go to Manchoukuo under the new government. Some Manchus admit they are going just for the money tendered, not expecting to do any real work nor offering any particular protestations of loyalty to the Manchu dynasty. This type of official does not worry the Japanese and one American educated Japanese official was overheard by an American officer to say "the dumb ones are the kind we want".

Some of the plans reported from Hsinking provide for the establishing of five ranks of nobility based on the former Ch'ing Dynasty system. There are also preparations being made for the great day of March 1st when the promulgation of the constitution and the actual coronation of Pu Yi are expected to take place.

The Manchoukuo News Service, the Japanese controlled publicity organ, is conducting a campaign with a view to convincing the English reading public in the Far East that a nation-wide movement for the creation of a sovereignty in Manchuria with His Excellency, Pu Yi, as the first head has been growing steadily. This statement is believed to be complete fabrication in so far as the people of Manchuria are concerned. The Japanese have definitely made up their minds to have an imperial Manchoukuo governed under the regal dictates of Japan and with that curious intentness and singleness of idea and purpose, so typically Japanese, they are pushing their plan forward.

With such a coup d'etat in preparation much interest is evidenced regarding the activities of Major General Doihara, resident officer of the Kwantung Army in Mukden, who might readily be called China's "Public Enemy No. 1". Prominent in the Mukden Incident of 1931 and on other occasions when the hand of an unscrupulous patriot was required, he is no doubt credited with much evil which cannot be laid at his door.

Doihara's latest activity, rather surprising in view of the fact that he usually shuns publicity, has been to publish a glowing New Year's statement with regard to Manchoukuo. According to the General, the new nation is well on the way to success and "state institutions are being perfected with amazing rapidity, especially legislative and financial organs". Emphasizing the principle of the Wang Tao, the princely or benevolent rule, Doihara stated that the government would work for the welfare of its people by fortifying cherished hopes for racial self-determination.

The naivety of Doihara's statements is most amusing when it is considered that as far as the public for which his statements are made is concerned, he is merely a Japanese army officer having no connection with the Manchoukuo Government. Just what authority he would have to speak for Manchoukuo is a question into which the consuming public is not supposed to have sufficient intelligence to inquire.

6. Japanese Westward Expansion in Chahar.

The Japanese pressure into Chahar continues (see G-2 Report No. 8720, item 3). Enlarging further on his statements that Japanese troops had not crossed the borders of Manchoukuo, Colonel Shibayama, the Japanese Military Attache in Peiping, now declares that even the Japanese maps of Manchoukuo are in error! He says that the true border extends from a point on the Chahar-Manchoukuo border line just east of Kuyuan southwest to the Great Wall.

Thus we see another bite of China being taken by the Japanese wolf in Manchoukuo sheep's clothing. The Chinese look at this as a sure example of Japan's"Westward Expansion Policy". Negotiations for the settlement of this matter and also the Tunglocheng question at Shanhaikwan (see G-2 Report No. 8720, item 3) are stated to be "progressing", but it is not believed any solution is yet in sight. The first reports were to the effect that the invasion of Chahar was to be considered a local incident of bandit suppression. Later, however, it appeared certain that the Japanese were determined to push their conquest to the Great Wall, not only taking sections of Hopei (see G-2 Report No. 8613) but also forcing a new boundary line in Chahar. It is understood that the Chinese handling these discussions are Mr. Tao Shang-ming, Special Administrator of the Luanchow-Shanhaikwan area, and Mr. Yin Ju-keng, Special Administrator of the Chihhsien-Miyunhsien section.

7. Manchurian Railways.

a. The Chinese Eastern Railway.

Hopes for the resumption of negotiations concerning the sale of the Chinese Eastern Railway were revived last week by reports from Changchun (Hsinking) to the effect that Manchoukuo had decided to free the six Soviet citizens arrested in Harbin last year (see G-2 Report No. 8679, item 4). This may be the reason for a Tokyo report to the effect that through the good offices of Mr. Hirota, Japanese Minister of Foreign Affairs, discussions between the delegates might be reopened. The Japanese press gives out a statement that the Manchoukuo Government has defined its attitude as follows:

> "1. If Soviet Russia withdraws her unreasonable demand and expresses sincerity Manchoukuo will agree to resume the negotiations.
> "2. On the occasion of resuming the negotiations both sides should return to 'blank'. Although Manchoukuo would not change the proposed price of Yen 50,000,000, if Soviet Russia shows a conceding attitude Manchoukuo will concede as much as possible on other

conditions, and adequate consideration will be given to such terms as the special treatment of cargo which will pass the N.M.R. to Vladivostock, and the question of dismissal allowances for the Soviet citizens in the employ of the N.M.R.

"3. However, if Soviet Russia maintains an insincere attitude to the bitter end, which will lead to the rupture of the negotiations, according to the established policy the Manchoukuo Government is ready to force the rights of administration and superintendence on the N.M.R. on the ground that it is an important communication organ in the country."

Perhaps the much talked of "good advices" of Japan will now be called into play (see G-2 Report No. 8622, item 7) and if the statements of the newly appointed Japanese Military Attache to Nanking can be taken at their face value, Japan may be ready for a firmer hold on the reins. Lt. Colonel Takahashi arrived in Peiping by airplane from Jehol on January 17th, and stated to representatives of the press that Russia had always pursued a policy of eastward expansion, taking the form of definite territorial ambitions under the Czarist Government. He also remarked that the Soviet Republic desired to tint the whole of eastern Asia red but that Japan would never tolerate such a policy. Colonel Takahashi further remarked, "If Russia wants to fight we are ready to go to war immediately. But we do not want war ourselves".

The Colonel has been on an inspection trip of the Soviet border in the vicinity of Hailar and Manchouli and after spending some days in North China will proceed to his post in Nanking.

b. The South Manchuria Railway.

The much talked of reorganization scheme for the South Manchuria Railway (see G-2 Report No. 8689, item 4) is apparently meeting some opposition, despite the fact that it has the backing of the Kwantung Army. According to the Manchoukuo News Service (official, Japanese controlled) the Japanese Colonial Ministry has announced the appointment of a supervisor of "chokumin" rank (person holding an Imperial appointment by decree) who is to be attached to the Kwantung Government to attend solely to affairs of the South Manchuria Railway. In addition to this, the Finance Ministry is reported to have accepted the appropriation in the Colonial budget to cover this appointment. These facts would appear to disregard the reorganization scheme.

From a strategic point of view it would be best for the Kwantung Army to control the railway policy of Manchuria and further efforts toward this by the Kwantung high command may be expected.

8. The Italian Fliers.

Speculation is rife, particularly in foreign circles, concerning the activities of Major now called Lieut. Colonel Mario Di Bernardi (see G-2 Report No. 8728, item 7) who arrived in Shanghai on January 8th. This office has been informed

through official Italian sources that Bernardi is not on an official mission for the Italian Government and that he has no connection with the Italian aviation instructors now with the Central Government. He holds a reserve commission in the Italian Air Force.

Colonel Bernardi will be remembered as a four time winner of the Schneider Cup and as having recently completed a non-stop flight from Rome to Moscow. He states that he will be in China for an indefinite period. It is known that he represents the Caproni Airplane interests, and that he brought with him two Caproni planes. On the same boat with him arrived six Italians, one pilot, one mechanic and four pilot instructors. The four instructors are said to be intended as additional members of the Italian instructional staff at Hangchow. Up to now the presence of the Italian members of the instructional staff at the Central Aviation School has not affected the attitude of the Chinese Government toward the American instructors under Colonel Jouett.

The Italian ace has announced that he intends to give an aerial stunting demonstration in Shanghai in the near future, no doubt hoping to out-stunt Major "Jimmy" Dolittle, who gave a similar exhibition some months ago. It is believed that Colonel Bernardi's trip and the recent Italian interest in China air matters are the result of the journeys of H. H. Kung, Minister of Finance, and his able wife to Italy and their conversations with Premier Mussolini (see G-2 Report No. 8672).

2086-86/6

S. V. Constant.

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Major, Cavalry
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No. 8740 1st Ind. WSD:elh

Office of the Military Attache, American Legation, Peiping, China, January 18, 1934 - To: Chief, Military Intelligence Division, Washington, D. C.

Approved.

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COMMENTS ON CURRENT EVENTS

January 19—February 1, 1934

RECEIVED G/2 W. D. FEB 28 1934

1. The National Government.
2. Treaty Revision.
3. Sino-Japanese Relations.
4. Freedom of the Press.
5. Japan and Russia in Manchuria.
6. Political Events.
7. Foreign Personages.
8. Imperial Manchoukuo

1. The National Government.

The two events of particular importance during the past two weeks have been the collapse of the Fukien rebellion and the Fourth Plenary Session of the Central Executive Committee of the Kuomintang. Both events have worked to strengthen the National Government and to increase the prestige of Chiang Kai-shek.

The Fukien revolt was handled in a manner which reflects considerable credit on the Generalissimo's ability as a soldier-politician. Making the main effort with political weapons and with just enough military action to assure success of the main issue, Chiang out-maneuvered the Fukien regime. When it is considered that the political enemies were aided by the vitriolic Eugene Chen, whom the Chinese delight in calling a British negro, and the Fukien military strength built around the famous 19th Route Army, even the opponents of Chiang Kai-shek must give him credit for an unusual achievement.

The political leaders of the Fukien rebellion are now looking for funk holes in Hongkong, Macao and elsewhere, and latest telegrams from Chuanchow state that the 19th Route Army has been reorganized under the title of the "Five-Province Bandit Suppression Sixth Route Army".

The failure of the communists in Kiangsi to take advantage of the unusually favorable opportunity to attack the flank of the Government troops operating against the 19th Route Army in Fukien may be taken as conclusive evidence that communist strength has been overrated and that the danger of a successful offensive by the communists has been exaggerated.

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In considering the question of communist influence and in answer to question in Evaluation Report of December 13, 1933, this office does not believe that Soviet diplomatic agents in China have recently aided such a movement. In view of the critical situation on the Siberian frontier, it is believed that the Soviet authorities are too much concerned in keeping the friendship of the National Government to take such a step at this time.

The Fourth Plenary Session of the C.E.C. of the Kuomintang opened as scheduled on January 20th, presided over by Wang Ching-wei, President of the Executive Yuan. Mr. Wang made a spirited appeal for unity to enable China to face the

present issues confronting her. Many matters were discussed, some of which have not been announced as reports of the five committees, i.e., Party Affairs, Political Affairs, Military Affairs, Economic Problems and Educational Problems, have not been made public. It is understood that the main topics considered were the liquidation of the Fukien rebellion, the diplomatic situation relative to Japan in North China, the progress of the anti-communist drive in Kiangsi and the work of the National Government during the past year.

Notable leaders present included Chiang Kai-shek, T. V. Soong, Wang Ching-wei, Chang Hsueh-liang, Shang Chen, and C. T. Wang, while well known absentees were Hu Han-min, Feng Yu-hsiang and Yen Hsi-shan. Mr. Tsui Kwang-shui was the sole member from Canton to attend, and it is stated that he and Huang Yu-cho, Governor of Kwangsi, represented the South-West provinces.

Mr. Lin Sen was re-elected Chairman of the National Government for another two year period, and the Fourth Plenary Session closed on January 25th.

2. Treaty Revision.

On January 27th the Chinese Foreign Office gave out the following announcement:

> "The Sino-British commercial treaty of September 5, 1902 expired on September 28, 1933, and the Sino-American commercial treaty of October 8, 1903, expired on January 13, 1934, both having been in force for approximately 30 years since the exchange of their ratifications.
>
> "The Ministry of Foreign Affairs has addressed formal notes to the British and American Legations asking for a revision of the respective treaties.
>
> "The two Legations have referred the matter to their respective Governments. While the British Government has not yet made its reply, the American Government has agreed to the proposal of the Chinese Government in principle."

The 1903 Sino- American treaty, negotiated shortly after the Boxer trouble, embraces not only commercial but also other treaty relations between China and the United States.

The particulars of the Chinese proposals for treaty revision have not been given out but it is generally assumed that some effort will be made to renew discussions reference abolition of extraterritorial rights. It will be remembered that following the resignation of C. T. Wang (Wang Cheng-t'ing) some five years ago, the question of "extrality" has been receiving but little attention.

3. Sino-Japanese Relations.

Mr. Hirota, the new Japanese Foreign Minister, in his speech to the Diet on January 23rd made some statements which received much attention in China. The most pertinent remarks are given below:

"It is gratifying to note North China under control of the Peiping Branch of the Political Council remains comparatively quiet.

"In view of the important rights and interests of Japan in that region, and its territorial contiguity with Manchoukuo, and also from the standpoint of the Tangku truce agreement, the question of maintenance of peace and order in North China is of special concern to Japan. She expects China to see to it that nothing will happen that may bring chaos to that area."

At the same time that Hirota was expressing the Japanese satisfaction with the Peiping Branch Political Council under the guidance of Huang Fu, the abolition of this body was urged at a joint meeting of delegates of eleven Kuomintang organizations in North China. A resolution to this effect was taken to Nanking on January 25th by a delegation with the intention of submitting it to the Standing Committee of the Central Executive Committee for consideration. No information is available as to whether or not the resolution was presented nor as to what action may have been taken in the event that the matter actually was taken up by the Standing Committee.

This action of the Kuomintang bodies in North China is significant, as it represents the actual feelings of the great mass of the Chinese people in North China. While the politicians realize that the policy of Huang Fu and the Peiping Branch Political Council in not antagonizing Japan is at present the only possible solution for the situation in North China, the average Chinese is not so convinced. The Kuomintang delegates certainly may be assumed to be indicative of a cross section of public opinion in North China. This public opinion, always anti-Japanese, as has been the Kuomintang itself, has been kept more or less inarticulate since the Tangku truce. Now working in typical Chinese fashion it takes the indirect method of opposing Japan by working for the abolition of the Peiping Branch Political Council, which the Kuomintang feels is playing too closely with the Japanese.

This feeling has not only been present in the Kuomintang in North China but was the cause of instructions from Nanking to Huang Fu to break off negotiations with the Japanese (see G-2 Report No. 8698, item 4).

The Japanese are apparently growing impatient with actions of the Kuomintang which have so often interfered with their wishes. According to latest rumors the Japanese have presented demands for the closing of eleven principal Kuomintang offices in North China. These would include the Peiping and Tientsin Municipal Kuomintang Offices, the Hopei, Chahar and Suiyuan Provincial Kuomintang Offices, and the Northeastern Office, now located in Peiping. Both Chinese and Japanese official sources deny any such ultimatum but this office believes that some such warning was given in order to intimidate the Kuomintang and to curtail its activities in North China.

4. <u>Freedom of the Press</u>.

Editors of Chinese papers in Peiping were recently surprised to receive warnings from supposedly monarchical and pro-Manchoukuo societies. These warnings, carrying seals of societies hitherto unheard of, were to the effect that "drastic

action would be taken if the vernacular newspapers continued their sarcastic and scathing comments on the forthcoming enthronement of the Chief Executive of "Manchoukuo".

It is interesting to note that the "Peiping Chronicle", printed in English and friendly to the National Government, has been very moderate in its comments since the day the Chinese papers were warned. The "Chronicle" had been featuring "puppet state", "puppet Emperor Pu Yi", and similar phrases which now are conspicuous by their absence.

It is believed that these warnings were issued by the Japanese whose ire has been aroused by the continued comments in the vernacular papers about their favorite imperial project in Manchuria. A very reliable British source states that he feels certain that Mr. Sheldon Ridge (British), editor of the "Chronicle", also received suggestions from the Japanese that it would be wise to moderate his tone.

An amusing incident wherein the press became too free was recently discovered by the local Reuters representative. He found that all his despatches mentioning Manchoukuo or Pu Yi had been changed by adding "so-called", "puppet", or like words. These changes were made by the local Chinese censorship bureau. Reuters agent not only objected to changing the neutral wording of his despatches but also to paying for words which he had not written!

5. <u>Japan and Russia in Manchuria</u>.

Russo-Japanese relations vis-a-vis Manchuria are not improving. The Manchoukuo News Service (official, Japanese controlled), is publishing reports to show that "though greatly provoked by Soviet challenges, Japan has kept a tranquil attitude". This so-called tranquil attitude of Japan has been somewhat helped by the increasingly strong stand shown by the Soviet Government.

An evidence of this was a Tass despatch from Moscow on January 28th with reference to the reports circulated by the Japanese press alleging that the Japanese Foreign Minister, Mr. Hirota, stated in Parliament that the Soviet Government had expressed regret at the publication of the secret documents regarding the activities of Japan in the Chinese Eastern Railway question (see G-2 Report No. 8679, item 4). The Tass report states that "the reports of the Japanese newspapers, particularly that of the 'Dempo' regarding the alleged statement of Mr. Hirota causes doubt as according to reports received from authoritative sources neither the Soviet Government nor the Soviet Ambassador at Tokyo has expressed any regret in connection with the publication of documents establishing the Japan-Manchurian aggressive plans regarding the C.E.R.".

There is a continued belief in China that the recognition of the U.S.S.R. by the United States will cause Japan to move more slowly. An official of the Soviet Embassy just back from a trip in Manchuria remarked that "recognition is a great blow to Japan as it provides Russia with sources of finance and war materiel which had hitherto been practically closed to her".

No encouraging reports have come from Japan reference resumption of negotiations for sale of the Chinese Eastern Railway. News from Manchuria indicates trouble in Harbin with demonstrations by what the Japanese call "Japanese, Manchoukuo and Russian economic bodies", for the reduction of freight rates on the North Manchurian (Chinese Eastern) Railway and for the abolition of the gold rouble in favor of Manchoukuo currency. The Japanese press agencies in Manchuria and China are blaming the Soviet directors for the trouble, while official Soviet sources announce that Japanese and White Russian interests are responsible.

While details of these demonstrations are lacking, they are believed to have been instigated by the Japanese themselves to embarrass further Soviet operation of the railway.

6. Political Events.

Chang Hsueh-liang. The rumors surrounding the future of Marshal Chang Hsueh-liang have at last crystallized in an announcement that he will be appointed Deputy Commander-in-Chief of Bandit Suppression Forces in South China. No mandate has been published to this effect, but since Chiang Kai-shek is himself Commander-in-Chief for Bandit Suppression, Chinese circles are confident that the Young Marshal can accept a position as his assistant without loss of face. It would seem that the position is not suitable for one who has been a Vice-Commander of all of China's forces, but should the Young Marshal accept it will only be with the idea of using it as an entering wedge for his return to the Chinese political-military stage and as a stepping stone for anticipated better days.

The National Government has been in a quandary to know just what to do with Chang as by virtue of Chinese feudal loyalty he has maintained certain control over former Fengtien leaders. An appointment such as tendered will keep him out of North China thus obviating Japanese protest and help draw former Northeastern forces further south and allow for replacement with southern forces, a plan which has been receiving the attention of Chiang Kai-shek for some time.

A Mayor for Peiping. Huang Fu has been having his troubles with internal troubles in Peiping political sources as well as with Japanese pressure. Yuan Liang, the Mayor of Peiping, who, among other reforms, has been conducting a campaign against foreign (except Japanese) and Chinese taxi-dancers, has displeased the powers that be. He was scheduled to be replaced by Hsu T'ing-nien, head of the investigation committee which investigated the activities of the present Mayor. Hsu, a venerable scholar of the old type, materially aided Huang Fu to get his early education and would have proved very acceptable to all as Mayor with Huang Fu's backing. Apparently Mr. Hsu spoke out in a meeting of the Branch Political Council, objecting to the importance placed on the division of some millions of relief funds and remarked that he was ashamed to hear such talk about money when matters of national importance were awaiting action. His frank criticism caused considerable loss of face to several important personages who are now objecting to his appointment as Mayor. Hsu has left for Nanking, ostensibly for the Chinese New Year celebration, and Huang Fu is in a dilemma as to who to appoint in case Hsu declines to return.

Dr. W. W. Yen. Dr. Yen, Chinese Ambassador to Soviet Russia, is due to arrive in Shanghai on February 3rd. His return is expected to revive discussion of conditions in Sinkiang and the possible Sino-Soviet non-aggression pact (see G-2 Reports Nos. 8689, item 6, and 8698, item 5). In this connection it is interesting to note the Tass despatches from Tashkent in Turkestan to the effect that a new government has been established in the Kashgar district of Sinkiang. These reports further state that the new regime has declared itself the government for the entire southwestern part of Sinkiang Province, has announced its independence from China, and is operating under the doctrine of "Banish the Chinese from Sinkiang".

Tang Yu-lin. An example of the difficulties besetting the National Government in China is brought to mind very closely by a telegram from Nanking to the Peiping Branch Military Council stating that the order for the arrest of General Tang Yu-lin has been rescinded. Tang Yu-lin was one of the main leaders in the North who fled with his troops in the Jehol debacle last year. Sung Che-yuan, the Chairman of Chahar under whose protection Tang has been living, paid no attention to the arrest order but has been interceding for him with the Central Government. Here the government was put in a difficult position. Sung played on the fear that unless some compromise was made Tang's troops would go over to Manchoukuo. Of course the chance for mutual benefit was not overlooked and when Tang's troops were handed over to Sung, Tang was appointed chief councillor of the 29th Army of which Sung is commander. Thus Tang is pardoned and obtains a safe post with support for his men, Sung obtains increased military strength and a potential enemy is converted into an ally, and the National Government secures a temporary respite from internal disturbances in Chahar.

7. Foreign Personages.

On January 16th M. Jerzy Barthel de Weydenthal, the new Polish Minister to China, presented his credentials to Lin Sen, Chairman of the National Government. The Polish Minister made a speech in which he expressed his appreciation of the great honor in being the first Minister of the Republic of Poland to be accredited to China. Lin Sen replied in suitable terms, signifying the pleasure of the Chinese Government in receiving an envoy from Poland. It has not been announced whether or not M. Weydenthal will reside in Nanking.

The most recent addition to the military-naval part of the foreign missions to China has been in the person of Group Captain R. P. Willock of the British Royal Air Force. Group Captain Willock, who has been making a trip to North China and plans to return to Shanghai via Nanking, expects to spend most of his time in Shanghai.

When in Peiping, Captain Willock made the interesting remark that while at the Legation he could wear a uniform and be a so-called diplomat, when he returned to Shanghai he expected to go quite commercial and carry a bag! This is significant in view of British aviation interests in China which have been previously reported. The British Military Attache stated that Willock would probably "stay for the regular four year appointment if the Government found it worth keeping an air man in China".

8. Imperial Manchoukuo.

On January 20th it was formally announced from Hsinking (Changchun) that Henry Pu Yi, China's former "Boy Emperor", would lay down his burden as Chief Executive of Manchoukuo and become Emperor of Manchoutikuo. The change from Man Chou Kuo or Country of the Manchus, to Man Chou Ti Kuo simply adds the word "Ti" which means "monarchy" or "empire". This announcement, expected for some days, contains ten points regarding the enthronement of Pu Yi as Emperor on March 1st, on which date a new constitution for the country will be promulgated. These points are given below:

1. Pu Yi will ascend the throne of "Manchutikuo" according to "Heaven's will" and "the people's will".
2. The imperial government of "Manchutikuo" will be opposed to all democratic principles.
3. The enthronement will in no wise be a restoration of the Ching Dynasty.
4. The national policy on the basis of "The Kingly Way" will not be changed.
5. All power of rulership will be invested in the Emperor of "Manchutikuo".
6. The foreign policy will aim at the promotion of friendly relations with all Powers, and the internal policy will aim at tranquillizing the people.
7. The national capital and the national flag will not be changed.
8. The state in Manchuria and Eastern Inner Mongolia will be known as "Manchutikuo".
9. The Imperial Household and the Government will be separated.
10. The procedure of the enthronement on March 1st will be as follows:
    (a) 6 a.m., the offering of sacrifices to the ancestors of Pu Yi and to Heaven,
    (b) 10 a.m., his Majesty to ascend the throne,
    (c) offering of congratulations to the Emperor by all high officials under the leadership of the premier, Cheng Hsiao-hsu,
    (d) the Emperor to entertain officials at a feast.

The enthronement program will consist of four main divisions:

1. Receiving of the Heavenly Mandate by Pu Yi in the Temple of Heaven.
2. Civil ceremonies.
3. Formal jubilations.
4. Military and naval reviews.

It is announced that after the enthronement ceremonies, the Emperor of Japan is sending his brother, Prince Chichibu, to Changchun to convey his personal congratulations to Emperor Pu Yi, after which Pu Yi is expected to visit Tokyo and pay his respects to the Japanese Imperial family.

There is no doubt that Japan has evolved a clever plan which has its appeal to a certain element among the Chinese. Great stress is being laid on the point that the crowning of Pu Yi will not be a restoration of the Ch'ing Dynasty. This is calculated to appease all those who were against the Ch'ing family and may also be used by the Japanese should they wish to tie the Manchu royal family to the Japanese imperial household by ties of direct marriage, since a Ch'ing dynasty emperor could never have married a Japanese. The possibility of alliance by marriage with the former Korean royal family is another alternative open to the Japanese who so far have been very successful at eliminating and creating royalty in the Far East.

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No. 8754 1st Ind. WSD:elh

Office of the Military Attache, American Legation, Peiping, China, February 1, 1934 - To: Chief, Military Intelligence Division, Washington, D. C.

Approved.

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